

EXHIBIT 3
(Redacted)

(Previously Filed Under Seal as DI 365-2)

1 UNITED STATES DISTRICT COURT
2 DISTRICT OF MINNESOTA
3

4 CASE NUMBER: 16-cv-1054 (WMW/DTS)
5 -----

6 Fair Isaac Corporation, a Delaware corporation,
7 Plaintiff,

8 versus

9 Federal Insurance Company, and Indiana
corporation, and ACE American Insurance Company, a
10 Pennsylvania corporation,
11 Defendants.

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14 VIDEOTAPED DEPOSITION OF EXPERT WITNESS

15
16 BILLY McCARTER
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24

25 TAKEN: 5 June 2019

BY: Jackie McKone

<p>Page 2</p> <p>1 APPEARANCES:</p> <p>2</p> <p>3 MERCHANT GOULD</p> <p>4 80 South Eighth Street, Suite 3200</p> <p>5 Minneapolis, Minnesota 55402</p> <p>6 PHONE: (612) 332-5300</p> <p>7 FAX: (612) 332-9081</p> <p>8 E-MAIL: hkliebenstein@merchantgould.com</p> <p>9</p> <p>10 BY: Heather Kliebenstein</p> <p>11 For the Plaintiff</p> <p>12</p> <p>13 FREDRIKSON BYRON</p> <p>14 200 South Sixth Street, Suite 4000</p> <p>15 Minneapolis, Minnesota 55402</p> <p>16 PHONE: (612) 492-7000</p> <p>17 FAX: (612) 492-7077</p> <p>18 E-MAIL: ljanus@fredlaw.com</p> <p>19</p> <p>20 BY: Leah Janus</p> <p>21 For the Defendants</p> <p>22</p> <p>23 Also present:</p> <p>24 James Woodward, FICO</p> <p>25</p> <p>26</p> <p>27 Videographer: Dave Young, Paradigm</p>	<p>Page 4</p> <p>1 PROCEEDINGS</p> <p>2 The following is the videotaped deposition</p> <p>3 of expert witness Billy McCarter, taken at</p> <p>4 Merchant Gould, 80 South Eighth Street in</p> <p>5 Minneapolis, Minnesota commencing at 9:05 a.m. on</p> <p>6 5 June 2019 pursuant to notice.</p> <p>7 * * *</p> <p>8 THE VIDEOGRAPHER: Good morning. We are</p> <p>9 going on the record at 9:05 a.m. on June 5th, 0</p> <p>10 2019.</p> <p>11 Please note the microphones are sensitive,</p> <p>12 might pick up whispering, private conversations,</p> <p>13 and cellular interference. Please turn off all</p> <p>14 cellphones and place them away from the</p> <p>15 microphones as they can interfere with the</p> <p>16 deposition audio.</p> <p>17 Audio and video recording will continue to</p> <p>18 take place unless all parties agree to go off the</p> <p>19 record.</p> <p>20 This is Media Unit 1 in the video recorded</p> <p>21 deposition of Billy McCarter taken in the matter</p> <p>22 of Fair Isaac Corporation versus Federal Insurance</p> <p>23 Company, et al. filed in the United States</p> <p>24 District Court, District of Minnesota, Case Number</p> <p>25 16 CV 1054.</p>
<p>Page 3</p> <p>1 INDEX</p> <p>2</p> <p>3 Examination by Ms. Kliebenstein, Page 6</p> <p>4 Examination by Ms. Janus, Page 235</p> <p>5</p> <p>6 EXHIBITS</p> <p>7</p> <p>8 Exhibit 444 McCarter expert report, Page 9</p> <p>9 Exhibit 445 InformationWeek article, Page 22</p> <p>10 Exhibit 446 Majesco article, Page 43</p> <p>11 Exhibit 447 Business Wire article, Page 45</p> <p>12 Exhibit 448 InformationWeek article, Page 52</p> <p>13 Exhibit 449 Harvard Business article, Page 96</p> <p>14 Exhibit 450 Chubb 2018 annual report, Page 105</p> <p>15 Exhibit 451 Ivey deposition transcript, Pg 128</p> <p>16 Exhibit 452 PowerPoint, Page 145</p> <p>17 FED 000122_0001-0029</p> <p>18 Exhibit 453 PowerPoint, Page 164</p> <p>19 FED 000171_0001-0028</p> <p>20 Exhibit 454 Rules document, Page 182</p> <p>21 FED 017914_0001</p> <p>22</p> <p>23 PREVIOUSLY MARKED EXHIBIT</p> <p>24 Exhibit 143 Chubb RFI processing rules, Pg 87</p> <p>25 FICO 0057280-0057304</p>	<p>Page 5</p> <p>1 This deposition is being held at the law</p> <p>2 offices of Merchant and Gould located in</p> <p>3 Minneapolis, Minnesota. My name is Dave Young. I</p> <p>4 am representing Veritext Legal Solutions. I'm the</p> <p>5 videographer. The court reporter is Jackie</p> <p>6 McKone, also representing Veritext Legal</p> <p>7 Solutions. I am not related to any party in this</p> <p>8 action nor am I financially interested in the</p> <p>9 outcome.</p> <p>10 Counsel who are now present in the room</p> <p>11 will announce state their appearances and</p> <p>12 affiliations for the record. If there are any</p> <p>13 objections to this proceeding, please state them</p> <p>14 at the time of your appearance beginning with the</p> <p>15 noticing attorney.</p> <p>16 MS. KLIEBENSTEIN: Heather Kliebenstein for</p> <p>17 the plaintiff Fair Isaac from Merchant and Gould.</p> <p>18 MS. JANUS: Leah Janus, Fredrikson and</p> <p>19 Byron, for defendants.</p> <p>20 THE VIDEOGRAPHER: And will the court</p> <p>21 reporter please swear in the witness, and then we</p> <p>22 can proceed.</p> <p>23 * * *</p> <p>24 BILLY McCARTER</p> <p>25 after having been duly sworn deposes and says</p>

Page 6

1 under oath as follows.

2 * * *

3 EXAMINATION

4 BY MS. KLIEBENSTEIN:

5 Q. Good morning Mr. McCarter. How are you today?

6 A. I'm fine. Good morning.

7 Q. Have you been deposed before?

8 A. I have.

9 Q. How many times?

10 A. Just once.

11 Q. How long ago was that?

12 A. It was probably in 2006 time frame.

13 Q. In what matter was that in connection with?

14 A. It was a former employer that -- where I -- while

15 I was working with them I had signed an agreement,

16 software and service agreement with a software

17 company and a services company, and they decided

18 to cancel the agreement, and in the process of

19 doing that, there was litigation, and they asked

20 me to come and be a fact witness for them.

21 Q. Did you end up going to trial in that matter?

22 A. No it did not.

23 Q. So as you know from that deposition experience, I

24 will be asking you a number of questions today.

25 A. Um-hm.

Page 7

1 Q. The court reporter prefers that you answer with a

2 verbal yes or no. She can't take down head

3 shakes. If you have any questions or don't

4 understand what I've asked you, feel free to ask

5 me to clarify. If you need a break at any time,

6 just let us know.

7 A. Okay.

8 Q. This isn't a test to see how long you can sit in a

9 chair. So we're happy to -- happy to take breaks

10 when you need it. We will -- let's just get into

11 it.

12 So Mr. McCarter, who are you employed with

13 today?

14 A. BRICLYN Advisory Services, which is my own

15 consulting company.

16 Q. And what does -- where did the name come from?

17 A. It's an acronym.

18 Q. For?

19 A. Brad, Eric, and Lynn. Family members.

20 Q. That's what I figured. Brad, Eric, and Lynn, and

21 what does BRICLYN Advisory Services do? What is

22 its business?

23 A. The principal business is consulting for insurance

24 carriers, insurance software solutions and

25 services firm, and for insurance analyst firms

Page 8

1 that cover the insurance marketplace.

2 Q. What type of consulting?

3 A. IT solutions and services consulting. Also --

4 BRICLYN also does some work with investment

5 banking firms where we -- we help software and

6 services companies get prepared for sales, buys,

7 or recapitalization.

8 Q. So IT solutions and services. Can you expand for

9 me or give me some examples as to what that means.

10 A. Sure. So insurance companies use a lot of

11 technology, significant amount of technology,

12 policy administration systems, claims systems,

13 billing systems, distribution systems, et cetera,

14 and I've implemented and -- built and implemented

15 many of those solutions over my career. So I

16 provide best practices consulting services around

17 those technologies.

18 Q. And how many cases have you served as an expert

19 witness over your career?

20 A. This is the first.

21 Q. And I -- I see in your report that you serve as a

22 senior advisor for FOCUS LLC.

23 A. Um-hm.

24 Q. What does FOCUS LLC -- what are their functions?

25 A. They are an investment banking firm as I mentioned

Page 9

1 previously. They do buy side, sell side, and

2 recapitalization of transactions in various

3 verticals, including financial services and

4 insurance.

5 Q. And so when you're helping prepare for an

6 acquisition or a sale --

7 A. Um-hm.

8 Q. -- what type of services do you provide?

9 A. I can go in and look at the product side of the

10 business to see where their product is positioned,

11 and where it's penetrated the market, what it's

12 being used for, all those kinds of activities.

13 Mostly marketing related activities. Also product

14 development, and looking at their product

15 development organization.

16 Q. Does BRICLYN Advisory Services have any employees

17 besides yourself?

18 A. No. It's a single member LLC.

19 MS. KLIEBENSTEIN: I'm going to reach.

20 (Whereupon material was marked for

21 identification as Exhibit 444.)

22 BY MS. KLIEBENSTEIN:

23 Q. I'm handing you a copy of your expert report in

24 this matter. Have you seen this before?

25 A. Um-hm.

<p style="text-align: right;">Page 10</p> <p>1 MS. JANUS: What exhibit number?</p> <p>2 MS. KLIEBENSTEIN: 444.</p> <p>3 BY MS. KLIEBENSTEIN:</p> <p>4 Q. And this is a copy of the report that you</p> <p>5 submitted in this matter?</p> <p>6 A. Yes. It appears to be. Yes.</p> <p>7 Q. Is there anything missing?</p> <p>8 A. The signature.</p> <p>9 Q. Ah. Yes. We got two -- there are two copies of</p> <p>10 your report. One had a signature, one did not.</p> <p>11 It was represented to us that the one without the</p> <p>12 signature was the same as the one without the</p> <p>13 signature.</p> <p>14 A. It should be.</p> <p>15 Q. I'll think about whether I want to get another</p> <p>16 copy with the signature and introduce it, but</p> <p>17 let's just work with this one for now.</p> <p>18 A. Okay.</p> <p>19 Q. So I see in Paragraph 6 that you were compensated</p> <p>20 at a rate of \$275 an hour; is that accurate?</p> <p>21 A. That's correct.</p> <p>22 Q. Do you know how much you have charged overall for</p> <p>23 your expert services in this case to date?</p> <p>24 A. I'd have to go add it up, but -- I don't want to</p> <p>25 ballpark it.</p>	<p style="text-align: right;">Page 12</p> <p>1 aren't necessarily core.</p> <p>2 Q. And which are the utility applications again?</p> <p>3 A. Would be -- have to look at the names in the list,</p> <p>4 but it would be -- TAPS would be one of them would</p> <p>5 be a utility application that's part of the --</p> <p>6 what's integrated into a core. It's the</p> <p>7 compliance application that they use.</p> <p>8 Q. I see in your report that you worked with</p> <p>9 Allianz --</p> <p>10 A. Um-hm.</p> <p>11 Q. -- for a while. Can you explain your -- your work</p> <p>12 duties at Allianz for me?</p> <p>13 A. Sure. I was the North American chief information</p> <p>14 officer responsible for all of the IT operations</p> <p>15 for seven operating companies in North America,</p> <p>16 Canada, Mexico, and the US.</p> <p>17 It included property and casualty insurance</p> <p>18 companies, life insurance -- insurance company,</p> <p>19 and asset management insurance, and also included</p> <p>20 PIMCO, the mutual fund company.</p> <p>21 Q. PIMCO is P-E-M --</p> <p>22 A. P-I-M-C-O.</p> <p>23 Q. P-I-M-C-O. So PIMCO was within Allianz; is that</p> <p>24 right?</p> <p>25 A. It was owned by -- it was owned by Allianz</p>
<p style="text-align: right;">Page 11</p> <p>1 Q. Is it -- is it more than \$50,000, less than</p> <p>2 \$50,000?</p> <p>3 A. I would say yes. More than 50, but less than</p> <p>4 \$100,000.</p> <p>5 Q. Okay. What about 75; do you think it's more or</p> <p>6 less --</p> <p>7 A. It's less than that, less than \$75,000.</p> <p>8 Q. Let's move to your qualifications and education</p> <p>9 section.</p> <p>10 A. Um-hm.</p> <p>11 Q. The first sentence mentions the phrase core</p> <p>12 insurance software solutions and services.</p> <p>13 A. Um-hm.</p> <p>14 Q. What does the word core mean?</p> <p>15 A. It's the primary systems that support the</p> <p>16 insurance operations.</p> <p>17 Q. In the case of Federal, can you give me an example</p> <p>18 of that, what would be a core system?</p> <p>19 A. Sure. CSI Express would be one.</p> <p>20 Q. Any others come to mind?</p> <p>21 A. CUW, TAPS, C -- CIS Claims.</p> <p>22 Q. All of the -- all of the applications that are at</p> <p>23 issue in this case would you consider those core</p> <p>24 applications?</p> <p>25 A. Not all of them, but the utility applications</p>	<p style="text-align: right;">Page 13</p> <p>1 globally.</p> <p>2 Q. Okay.</p> <p>3 A. Um-hm.</p> <p>4 Q. Now, as the CIO, what sorts of job duties did you</p> <p>5 perform?</p> <p>6 A. I had responsibility for strategy and delivery of</p> <p>7 all the information technology for the North</p> <p>8 American region as part of Allianz.</p> <p>9 Q. Do you recall what sorts of projects did you work</p> <p>10 on?</p> <p>11 A. There's many. Policy administration for</p> <p>12 commercial insurance, policy information --</p> <p>13 administration for personal lines of insurance</p> <p>14 where we put in a new system, built a new claims</p> <p>15 system for Allianz, or for Fireman's Fund which</p> <p>16 was part of our Allianz.</p> <p>17 Those are the major kind of programs we</p> <p>18 did, and major transformation of the architecture</p> <p>19 and moved at the time from, you know, Legacy</p> <p>20 technologies to new modern technology.</p> <p>21 Q. Why did the business want to move from Legacy</p> <p>22 technology to new advanced technology?</p> <p>23 A. To take advantage of the new technology. In some</p> <p>24 cases, the technology we had was aging and</p> <p>25 couldn't continue to be operated. Other cases</p>

<p style="text-align: right;">Page 14</p> <p>1 there were functionalities that needed to support</p> <p>2 certain processes that we delivered that needed to</p> <p>3 be implemented.</p> <p>4 Q. When you say take advantage of new technology,</p> <p>5 what exactly does that mean?</p> <p>6 A. There may have been new functionality that the</p> <p>7 software provided that was not in the older</p> <p>8 versions of software that we had.</p> <p>9 Q. And so take a company like Allianz. Why -- why</p> <p>10 did a company like Allianz want to use technology</p> <p>11 in their business?</p> <p>12 A. To support the business.</p> <p>13 Q. To support in -- in what way?</p> <p>14 A. Improve efficiency. Mostly justified based on</p> <p>15 expense management, expense reduction.</p> <p>16 Q. You -- you mentioned improve efficiency. Approve</p> <p>17 -- improve efficiency of what?</p> <p>18 A. The operation. Various parts of the operation</p> <p>19 whether it be claims, billing, policy</p> <p>20 administration, reinsurance.</p> <p>21 Q. Underwriting as well?</p> <p>22 A. Underwriting is included as part of policy</p> <p>23 administration.</p> <p>24 Q. So when we talk about improving the efficiency of</p> <p>25 -- the efficiency of policy administration, can</p>	<p style="text-align: right;">Page 16</p> <p>1 of, say, a new policy administration system at</p> <p>2 Allianz?</p> <p>3 A. Well, you could eliminate -- certainly eliminate</p> <p>4 paper moving back and forth, postage, all things</p> <p>5 like that. You can, in some cases, reduce the</p> <p>6 number of resources or constrain the growth of</p> <p>7 resources more importantly, but it still was used</p> <p>8 by the human, you know, resources, actuaries,</p> <p>9 underwriters, claim adjudicators, et cetera.</p> <p>10 Q. When you say constrain the -- the growth of</p> <p>11 resources, would you agree that would mean you</p> <p>12 wouldn't have to hire people to process more work?</p> <p>13 A. An individual could take on more work. Correct.</p> <p>14 Q. And would that -- would that affect profitability?</p> <p>15 MS. JANUS: Object to the line of</p> <p>16 questioning as calling for hypotheticals, and</p> <p>17 vague, but ...</p> <p>18 THE WITNESS: It would avoid expense and</p> <p>19 only would -- would affect profit -- profitability</p> <p>20 if the new business was profitable. That's not</p> <p>21 guaranteed.</p> <p>22 BY MS. KLIEBENSTEIN:</p> <p>23 Q. Let's move on to your work at the Fireman's Fund</p> <p>24 Insurance Company.</p> <p>25 A. Um-hm.</p>
<p style="text-align: right;">Page 15</p> <p>1 you give me some examples, some concrete examples</p> <p>2 of improved efficiency in policy administration?</p> <p>3 MS. JANUS: Objection. Are you talking</p> <p>4 about from Allianz?</p> <p>5 MS. KLIEBENSTEIN: Yeah.</p> <p>6 MS. JANUS: His time at Allianz?</p> <p>7 THE WITNESS: So think back to then. It</p> <p>8 would have been to implement new coverage</p> <p>9 capability where you needed functionality to</p> <p>10 process input from the agents or input from</p> <p>11 internal resources, and capture that data and be</p> <p>12 more efficient with it instead of sending paper or</p> <p>13 faxing applications, or you know, at this point in</p> <p>14 time, we're talking about 2000, early 2000, late</p> <p>15 1999. So technology was emerging to provide a lot</p> <p>16 more efficiencies and helping human resources do</p> <p>17 their job better.</p> <p>18 MS. KLIEBENSTEIN: I know I remember my</p> <p>19 little cellphone. My first in college.</p> <p>20 BY MS. KLIEBENSTEIN:</p> <p>21 Q. So efficiencies. Helping people do their job</p> <p>22 faster; would you agree?</p> <p>23 A. Sure.</p> <p>24 Q. You also mentioned expense reduction. What kind</p> <p>25 of expenses could be reduced by the implementation</p>	<p style="text-align: right;">Page 17</p> <p>1 Q. What were your job duties at the Fireman's Fund?</p> <p>2 A. I was the CIO for Fireman's Fund Insurance</p> <p>3 Company.</p> <p>4 Q. And why did you make the move from Allianz to</p> <p>5 Fireman's Fund?</p> <p>6 A. Fireman's Fund is owned by Allianz.</p> <p>7 Q. So it was a shift within the company?</p> <p>8 A. Actually, I served in both capacities</p> <p>9 simultaneously. I was the North American CIO, and</p> <p>10 I was the CIO of Allianz, or the CIO of Fireman's</p> <p>11 Fund at the same time.</p> <p>12 Q. We call that a promotion with no benefit at</p> <p>13 Merchant and Gould.</p> <p>14 A. You understand the insurance company.</p> <p>15 Q. Right. So your job duties were essentially the</p> <p>16 same as Fireman's Fund as --</p> <p>17 A. Specifically for Fireman's Fund, which was a</p> <p>18 property and casualty company.</p> <p>19 Q. So tell me about the iLog business rules and</p> <p>20 management system.</p> <p>21 A. Yes.</p> <p>22 Q. What was that?</p> <p>23 A. We purchased iLog to support the commercial</p> <p>24 insurance business.</p> <p>25 Q. And what did it do to support the commercial</p>

Page 18

1 insurance business?

2 A. It -- it provided rules management for commercial

3 rules. Very similar to other rules management

4 systems, including Blaze.

5 Q. I see that you developed a business case for the

6 iLog business rule management system; is that

7 right?

8 A. That's correct. I -- I was involved in the -- I

9 didn't do all of the work on the business case,

10 but I -- I had to present it to our capital

11 committee to buy the technology.

12 Q. And what -- what was the business case that was

13 made? Do you recall?

14 A. Efficiencies. It was around more volume of

15 commercial business products.

16 Q. And what -- what was -- what was the business

17 benefit of efficiencies?

18 A. Faster, being able to process faster.

19 Q. And why would a company want to process faster in

20 the insurance industry?

21 A. To avoid expense, one. Two, to reduce, you know,

22 take home more volume, and hopefully get better

23 business as a result of it.

24 Q. When you say get better business as a result of

25 it, what does that mean? What is better business?

Page 19

1 A. Better, more profitable business.

2 Q. So how could -- how could implementation of iLog

3 linking efficiencies result in hopefully the

4 acquisition of more profitable business? Explain

5 that link to me.

6 A. Well, it would allow them to look at applications

7 that come in and determine whether they want to

8 underwrite that application or they want to reject

9 the application.

10 It's all based on the -- the underwriting

11 rules and the rules that the company had set out

12 for what accounts to accept and which ones not to

13 accept.

14 Q. So walk me through how -- how the iLog application

15 would -- would do that. What were its features

16 and functionalities that would help folks in the

17 business decide which applications were -- should

18 be accepted versus which should not?

19 A. So iLog was integrating into a policy

20 administration underwriting solution. It was the

21 underwriting solution that the internal users

22 used, and they would -- an application would show

23 up in their in box on -- online. They would

24 review the application, actually make some

25 decisions about what they wanted to do, and the

Page 20

1 underwriting application was integrated with iLog

2 to go pull the rules to test to see if they

3 complied with the company's underwriting

4 guidelines, and if it didn't, reject it.

5 If it did, it may then execute additional

6 rules to further get underwriting criteria to

7 determine whether that's a appropriate risk to

8 write, and then based on that, the underwriting

9 application would either approve or reject the

10 application. So I don't know if I've answered

11 your question, but ...

12 Q. You did. So how did -- how did the Fireman's Fund

13 handle that process that you just described before

14 iLog and that policy administration separation?

15 A. They had Legacy systems where the rules were

16 embedded in the Legacy systems. They weren't

17 externalized to a rules engine.

18 Q. So how -- how would that underwriter then -- so

19 how would that work if the rules were not

20 externalized?

21 A. Under -- the underwriter would have no idea how

22 the rules were being interrogated behind the

23 scenes. They -- they would see no difference

24 whether it was a rules engine or embedded rules.

25 Q. Okay. So why did you make the -- why did you make

Page 21

1 the recommendation to go to rules that were --

2 correct me if I get this wrong, rules that were

3 embedded versus rules that were externalized? Did

4 I get that right?

5 A. Yeah. Applications that have embedded rules have

6 to be maintained by programmers, and rules that

7 are part of a rules engine typically -- in some

8 companies, they are managed by programmers still.

9 Other companies they -- they have the business

10 users maintain the rules and submit the changes.

11 So it was a shift of responsibility in some

12 cases to the source of where the rules come from,

13 which are the underwriters, the actuaries, whoever

14 is making the changes to the rules, and it was the

15 ability to quickly change the rules when you

16 needed to change them because you're starting to

17 see an experience where a -- a rule is causing you

18 to lose money not make money.

19 Q. Um-hm, and so the iLog application would allow

20 folks on the front lines to make those rule

21 changes quickly; is that -- is that right?

22 A. I wouldn't say frontline because there's a lot of

23 governance that goes on in an insurance company

24 before rules are changed, but it -- it allows it

25 to move out of in some cases the information

6 (Pages 18 - 21)

Page 22

1 technology organization to the business and let
 2 those business users that are authorized to do
 3 that make changes.
 4 Q. So essentially the rules could be changed quicker;
 5 is that the bottom line?
 6 A. Sure.
 7 Q. Okay.
 8 (Whereupon material was marked for
 9 identification as Exhibit 445.)
 10 BY MS. KLIEBENSTEIN:
 11 Q. I'm handing you what's been marked Exhibit 445.
 12 A. Um-hm.
 13 Q. You should feel special. We made color copies for
 14 you apparently.
 15 A. Um-hm. Um-hm.
 16 Q. Are you familiar with this article?
 17 A. I am.
 18 Q. The article is dated 2002 --
 19 A. Um-hm.
 20 Q. -- when you were working with Fireman's Fund; is
 21 that correct?
 22 A. That's correct.
 23 Q. Do you recall how this article came -- came to be?
 24 Did you get -- tell me: How did this article come
 25 to be?

Page 23

1 A. I don't recall exactly how it originated, but it
 2 would have originated in the small commercial
 3 business, which is where iLog was being used at
 4 the time, and I probably worked with the business
 5 leader there at the time to -- to get an article
 6 published.
 7 I mean, there was - there was a process in
 8 Allianz and Fireman's Fund to make sure you go
 9 through approvals to get these published.
 10 Q. And the focus of this article is -- it's a feature
 11 on your work as a CIO at Fireman's Fund?
 12 A. Yes.
 13 Q. And how you -- you brought -- how you took a
 14 unique approach to technology at the Fireman's
 15 Fund; is that right?
 16 A. Not just the technology. It was the -- the
 17 intersection of people, process, and technology.
 18 That -- that's what the article was about. I
 19 looked at all different types of sourcing
 20 strategies to better handle our IT capabilities
 21 within the company that included people, process,
 22 and technology.
 23 Q. And how is that -- how is that strategy different
 24 from other CIOs at the time?
 25 A. Many CIOs in the insurance company were very much

Page 24

1 internally focused heads down building
 2 technologies and not buying off-the-shelf
 3 technologies to integrate to create solutions.
 4 On the technology side, I found a -- an
 5 opportunity to do that. On the people side, I had
 6 an average tenure of IT people of 17 years of
 7 experience, and needless to say, they weren't
 8 bringing in new ideas of how to implement
 9 technology in better ways. So I outsourced a
 10 portion of the IT staff and left a portion there
 11 that were kind of the critical knowledge of the
 12 environment. So it was a -- it was an all
 13 encompassing strategy to right size and implement
 14 new technology.
 15 Q. So essentially to approach how technology had been
 16 done in the insurance industry in a different way?
 17 A. Sure. Yup.
 18 Q. And you mentioned that your -- part of your
 19 strategy was to buy off-the-shelf technology to
 20 help?
 21 A. Point solutions. Yeah.
 22 Q. Point solutions?
 23 A. Point solutions. Very targeted functionality that
 24 would integrate with other functionality to create
 25 a solution.

Page 25

1 Q. And why did you find a benefit in that strategy?
 2 A. Insurance companies can be, you know, have the
 3 greatest IT environment in the world but it won't
 4 move their stock price one iota. If they sell
 5 more insurance and are more profitable, that's
 6 what moves their stock price.
 7 So the driver for this was -- was looking
 8 at core competencies and making sure that the
 9 insurance company focused on their core competency
 10 and not tried to become a technology company.
 11 Q. Got it. So you would look for off-the-shelf --
 12 you would look for third party tools --
 13 A. Best practices.
 14 Q. -- that you could bring in instead of developing
 15 things from the ground up?
 16 A. Correct.
 17 Q. In the article on the second page --
 18 A. Um-hm.
 19 Q. -- in the first full paragraph --
 20 A. First paragraph?
 21 Q. Um-hm. At the end, there's a quote from you that
 22 says, "We can run the best data center in the
 23 world without influencing our market
 24 capitalization," --
 25 A. Um-hm.

7 (Pages 22 - 25)

Page 26

1 Q. -- "but if we deliver solutions that meet
2 customers' needs better than our competitors, then
3 we can influence the overall value of the
4 company."
5 A. Um-hm.
6 Q. Influencing the overall value of the company is
7 that another way to say, just like your previous
8 example, make the stock price move?
9 A. Improve the attractiveness of the stock price.
10 Q. And improve the profitability?
11 A. Yup.
12 Q. Then starting in the paragraph that starts with in
13 the past --
14 A. Um-hm.
15 Q. -- there's another quote from you, "It was a
16 decision between the line of business head and the
17 IT leader without any formal rigorous cost benefit
18 analysis."
19 A. Um-hm.
20 Q. I'm taking from that quote that your preferred
21 method would be to do a rigorous cost benefit
22 analysis when considering a new technology
23 feature; is that right?
24 A. Correct.
25 Q. And what in -- in your work experience, what type

Page 27

1 of cost benefit analysis would you perform before
2 deciding whether to implement a new technology
3 into the company you were working for?
4 A. It would depend on the business need and the
5 variables associated with that particular need.
6 What -- you know, am I buying services, am I
7 buying software, or am I having to set up a new
8 department. There's so many variables that go
9 into a cost benefit analysis that I don't know
10 that there's an easy answer to that question.
11 Q. Good clarification. Let's take -- as we mentioned
12 before, let's take a policy administration system.
13 A. Um-hm.
14 Q. If you were at a company looking at employing a
15 new -- considering employing a new policy
16 administration system, what sort of cost benefit
17 analysis would you undertake?
18 MS. JANUS: Objection. Vague. Calls for
19 speculation.
20 THE WITNESS: It, again, depends on the
21 insurance products that are being processed by
22 that policy administration system.
23 In our industry of insurance, we're a
24 collection of exceptions. Auto products in one
25 company don't look like auto products in another

Page 28

1 company. There are different coverages. That's
2 what differentiates them.
3 So you would have to look at what's needed
4 to build, market, sell, administer, support, and
5 -- those products that that policy administration
6 system is focused on, and in many -- in Fireman's
7 Fund at this time, we had 11 policy administration
8 systems supporting 55 different insurance
9 products.
10 So there's -- to come up with an answer,
11 I'd have to know the particulars of what was
12 required for those products.
13 BY MS. KLIEBENSTEIN:
14 Q. Let's -- let's take the iLog business rules
15 management system project --
16 A. Um-hm.
17 Q. -- let's take that one in particular.
18 A. Um-hm.
19 Q. Did you and your team perform a cost benefit
20 analysis in that case?
21 A. The -- the business owner was responsible for the
22 CBA, and I provided the technology aspect of that
23 cost benefit analysis.
24 Q. So in that example, the -- the benefit analysis
25 came from the business owner, and the cost

Page 29

1 analysis came --
2 A. Only the technology -- I provided the input on
3 what technology would be needed to enable that
4 business case.
5 Q. Okay.
6 A. You know, they wanted to do this -- the business
7 case was outlined on what they wanted to do, and I
8 -- I don't recall very specifically everything
9 that was being done with iCustomer, but it was in
10 the area of business owner products, we call them
11 BOP products for small commercial, and they were
12 looking to build a community online of small
13 commercial customers, and they wanted a system to
14 support that -- that interface with the customer.
15 Q. Do you remember -- for the iLog scenario, do you
16 remember -- do you remember what the business case
17 was?
18 A. It was -- it was building a -- a platform of some
19 kind, and I'd have to go back and look at the
20 detail from 2002. I just don't recall all the
21 different components that were involved, but the
22 rules management was one of those components.
23 Q. Let's move to the next page.
24 A. Okay.
25 Q. Paragraph that starts with among these.

8 (Pages 26 - 29)

Page 30

1 A. Um-hm.
 2 Q. Tell me about the iCustomer series.
 3 A. There was an application to -- for small
 4 commercial BOP products.
 5 MS. JANUS: Sorry. I just want to make
 6 sure you take whatever time you need to actually
 7 look at what she's pointing you to. I didn't know
 8 if you had already read it.
 9 THE WITNESS: Yeah. It's what I was
 10 mentioning a minute ago with the online capability
 11 for BOP products.
 12 BY MS. KLIEBENSTEIN:
 13 Q. And do you remember what the iCustomer series
 14 product -- what -- what its functions were?
 15 A. Not all of them. You know, a customer could go
 16 online, review our products that were available.
 17 It was a -- it was built -- at that time, if you
 18 think about intranets, and extranets, and all of
 19 those, it was built to be able to create a
 20 community online and share information among those
 21 customers of best practices so that -- Fireman's
 22 Fund was offering more than just an insurance
 23 product. It was offering the product plus
 24 additional services, you know, knowledge sharing
 25 and best practices within the small commercial

Page 31

1 marketplace.
 2 Q. And would it be agents primarily that were looking
 3 at this iCustomer platform?
 4 A. Yes.
 5 Q. Not the end policyholder?
 6 A. It -- it could have been some -- there could have
 7 been features that would go all the way to the end
 8 customer, but there would always be an agent, you
 9 know, the agent is the access to the customer in
 10 most cases, and so they -- they could -- the agent
 11 could see more than the customer could see, but
 12 the customer could see certain things associated
 13 with their account and their product.
 14 Q. I see in the middle there's a quote, "Agents have
 15 to earn the right to get iCustomer because there's
 16 significant value for them. We expect value from
 17 it."
 18 A. Right.
 19 Q. When you say significant value, does that mean
 20 additional revenue?
 21 A. No. Not necessarily. Could have been a retention
 22 play, but the earn the right to get it was based
 23 on agent profitability, and we did an economic
 24 value added analysis on every customer -- every
 25 agent to determine who's bringing us good business

Page 32

1 and who's bringing us bad business. They had to
 2 earn the right to get access to the system based
 3 on bringing us good business.
 4 Q. And -- and why did you -- why did you gate-keep
 5 the iCustomer series in that way?
 6 A. Gate-keep? I don't know -- would you clarify
 7 that?
 8 Q. Sure. Why -- why would -- why was the choice made
 9 only to give access to those relationships that
 10 were profitable as opposed to not profitable?
 11 A. We wanted profitable agents.
 12 Q. So it was kind of an incentivized -- incentivizing
 13 benefit?
 14 A. Yeah. If they qualified for access, they were
 15 able to access benefits that they wouldn't get
 16 otherwise as being part of that community.
 17 Q. The last phrase of that quote, "We expect value
 18 from it," what type of value was Fireman's
 19 expecting from the iCustomer series platform?
 20 A. I would have assumed more business, and more
 21 profitable business.
 22 Q. I see after you -- you left Allianz in 2002 to go
 23 to ePolicy Solutions?
 24 A. Correct.
 25 Q. And why did you make that move?

Page 33

1 A. I was kind of wooed away by the ex-CEO of
 2 Fireman's Fund, who was on the board of ePolicy,
 3 to come and be their ultimately chief operating
 4 officer.
 5 Q. And what were your job duties at ePolicy?
 6 A. Initially it was to set up the infrastructure for
 7 the -- supporting all of the customer
 8 relationships and management but moved very
 9 quickly to become the COO and took over all the
 10 product delivery, implementation, et cetera.
 11 Q. Go ahead.
 12 A. ePolicy at the time I joined them was an online
 13 broker for BOP products, selling BOP products
 14 online, and they had built a system that did that.
 15 The company wanted to commercialize that
 16 system and sell it to other insurance companies
 17 and flip their business model to becoming a
 18 commercial software provider and not a online
 19 broker. Because at that point in time, people
 20 didn't buy insurance online. They shopped online,
 21 but they didn't buy online, and so the agent and
 22 the broker still became the most important part of
 23 it.
 24 So I helped transition the company from an
 25 online broker to a commercial software company

9 (Pages 30 - 33)

Page 34

1 selling commercial software to the insurance
 2 marketplace.
 3 Q. And one of those -- one of those products was
 4 called RightRisk?
 5 A. RightRisk was their product.
 6 Q. So that's what they changed?
 7 A. They -- they went from being an online broker
 8 selling insurance to selling their system to
 9 insurance carriers that could then sell BOP
 10 products.
 11 Q. And so what -- what were the -- what was the
 12 functionality of RightRisk?
 13 A. It was a policy administration system that had
 14 from front to back distribution, underwriting,
 15 policy endorsement processing, issuance, booking,
 16 binding, claims management.
 17 Q. And why did ePolicy Solutions want to start
 18 selling that to -- directly to insurance
 19 companies?
 20 A. Because that's where the technology was more
 21 valuable than their online broker -- broker
 22 business.
 23 Q. So the insurance company would essentially pay
 24 more than ePolicy would get selling their own
 25 policies?

Page 35

1 A. Yeah. They were making more money by licensing
 2 their commercial software than they were from
 3 selling BOP products online, which was more of a
 4 commission-based approach.
 5 Q. So is RightRisk similar to Blaze Advisor, or is it
 6 different?
 7 A. No. RightRisk was way beyond. It had a component
 8 within RightRisk. We developed our own internal
 9 rules engine to support rules management, and that
 10 was a component of RightRisk.
 11 RightRisk had multiple applications that
 12 made up that platform, and maybe for terminology
 13 system, RightRisk was a system that consisted of
 14 many applications and components.
 15 Q. Were you involved in helping sell RightRisk to
 16 insurance companies?
 17 A. Yes.
 18 Q. And when you were doing that work, did you have a
 19 value proposition that you would promote to the
 20 insurance companies?
 21 A. We did.
 22 Q. What was that?
 23 A. It was around efficiencies and replacing Legacy
 24 systems.
 25 Q. What types of efficiencies?

Page 36

1 A. Improving policy administration, endorsement
 2 processing, application submissions, issuance,
 3 reducing the cycle times. Had nothing to do with
 4 the rules piece of it. If that's the question.
 5 Q. So improving the endorsement piece; what does that
 6 mean?
 7 A. When you make endorsements on an insurance policy,
 8 there's non-financial endorsements and there's
 9 financial endorsements, and giving them the
 10 capability to be able to make those endorsements,
 11 the non-financial ones don't require a licensed
 12 agent, financial ones required a licensed agent.
 13 So we gave them capabilities to handle -- better
 14 handle their -- their endorsement process. That's
 15 one feature of the platform. There's many others.
 16 Q. Sure. Yeah.
 17 A. That was just one.
 18 Q. So when you say to better handle the endorsement
 19 process, does that mean speed it up so they can
 20 figure out which bucket a policy can go into
 21 faster?
 22 A. No. That's -- that's not what I meant.
 23 Q. So tell me where I'm wrong. What am I not
 24 understanding?
 25 A. Endorsement processing is not about speeding up

Page 37

1 policies. It's about making endorsement changes
 2 to a policy.
 3 So if an agent gets a call from a customer
 4 and says I need to add another vehicle to an auto
 5 policy, they go online and add another vehicle to
 6 the policy.
 7 Many of the Legacy systems at the time
 8 didn't do that quite -- very well. You could have
 9 what's called out of sequence endorsements,
 10 endorsements that were made that were retroactive
 11 back to a time period, and our system provided
 12 better handling of out of sequence endorsement
 13 processing. That was one of the reasons we were
 14 able -- that was part of our value proposition.
 15 So it's -- it helped -- it helped do the
 16 endorsement processing better, not necessarily in
 17 all cases faster but provided more functionality,
 18 more accurate functionality.
 19 Q. How did RightRisk improve -- improve application
 20 submissions?
 21 A. It provided them an online method to do that
 22 because at the time many of the insurance
 23 companies were using green screens from IBM or
 24 other companies.
 25 So, I mean, if you put this in context of

10 (Pages 34 - 37)

Page 38

1 the time period, there were -- those companies
 2 lacked a lot of capability.
 3 Q. And having an online method to submit applications
 4 why would that -- why would that be a good thing?
 5 Why is that a benefit?
 6 A. Gets it processed quicker, and doesn't have to
 7 wait for postage, mail, activity like that.
 8 Q. So you can process more faster; is that right?
 9 A. Correct.
 10 Q. And reduce cycle times; that was another
 11 improvement?
 12 A. Yup.
 13 Q. Can you explain that one for me maybe with an
 14 example?
 15 A. Well, if you're mailing versus sending it online,
 16 you get it a lot quicker, and it reduces the cycle
 17 time to get the application reviewed and
 18 decided.
 19 Q. So again, RightRisk would allow a company to do --
 20 to process more applications faster?
 21 A. Correct.
 22 Q. Was there -- was there any other business case
 23 that was presented for RightRisk?
 24 A. Primarily focused on Legacy replacement and
 25 improved functionality of their existing systems.

Page 39

1 Q. And did you ever receive any feedback from
 2 customers?
 3 A. We did.
 4 Q. Do you recall any of that feedback?
 5 A. Not specifically. No. Other than we were
 6 successful in our implementations.
 7 Q. Did any of the customers ever note that they had
 8 -- did they -- did they ever state that they had
 9 noted an increase in revenue after implementing
 10 RightRisk?
 11 A. No.
 12 Q. Did any of them ever report a decrease in revenue
 13 after implementing RightRisk?
 14 A. No.
 15 Q. What about profitability; did any of them ever
 16 mention an increase in profitability after
 17 implementing RightRisk?
 18 A. Not that I recall.
 19 MS. JANUS: If you're moving to the next
 20 one Heather, we've been going about an hour.
 21 MS. KLIEBENSTEIN: Yeah. Would you like a
 22 break?
 23 THE WITNESS: Yeah. We can take a quick
 24 break.
 25 MS. JANUS: Is that an okay time for you?

Page 40

1 MS. KLIEBENSTEIN: Yes.
 2 THE VIDEOGRAPHER: We're going off the
 3 record. The time is 9:56. 0
 4 (Whereupon a short break was taken from
 5 9:56 a.m. to 10:07 a.m.) 0
 6 THE VIDEOGRAPHER: We are back on the
 7 record. It's the beginning of Media Number 2.
 8 The time is 10:06.
 9 BY MS. KLIEBENSTEIN:
 10 Q. All right. So after ePolicy Solutions, you went
 11 to MajescoMastek? Is that --
 12 A. Right.
 13 Q. Is that how to pronounce it?
 14 A. Correct.
 15 Q. That's a mouthful. So why did you make that move?
 16 A. MajescoMastek was one of the suppliers to ePolicy,
 17 and ePolicy was acquired by Insurity, and I was a
 18 condition of the sale. I was the only executive
 19 in ePolicy that went to Insurity, and I had a -- I
 20 had a minimum amount of time I had to be there,
 21 and that's in there, and after my time was up, I
 22 -- I was offered a job is MajescoMastek to run
 23 their US insurance operation and help them build a
 24 footprint for insurance solutions in that -- in
 25 the US market. So ...

Page 41

1 Q. So Majesco was a supplier to ePolicy. A supplier
 2 of what?
 3 A. Services.
 4 Q. What type of services?
 5 A. IT services.
 6 Q. And I read in your report that Majesco acquired a
 7 policy administration and billing system called
 8 Renaissance.
 9 A. Correct.
 10 Q. They -- they purchased it, acquired it,
 11 Renaissance?
 12 A. (Witness nodded head in the affirmative.)
 13 Q. And what does the Renaissance product do?
 14 A. It was a policy administration claims and billing
 15 solution.
 16 Q. And how was it different than RightRisk?
 17 A. Not a lot, difference had maybe more functionality
 18 in certain areas than RightRisk.
 19 Q. And you re-branded it to STG policy administration
 20 and STG billing; is that right?
 21 A. Correct.
 22 Q. And I see that both of these solutions had
 23 externalized business rules management technology,
 24 meaning they had features similar to Blaze
 25 Advisor?

11 (Pages 38 - 41)

Page 42

1 A. They had a component. Yeah.
 2 Q. And were you involved in the sale of the STG
 3 product as well?
 4 A. I was. Yes.
 5 Q. And what was the value proposition for that
 6 product?
 7 A. Very similar to RightRisk. It was replacing
 8 Legacy systems within carriers for policy AD-MIN
 9 claims and billing, and offering additional
 10 functionality to improve the -- the operation of
 11 the insurance carrier.
 12 Q. And did you receive any feedback from customers
 13 that purchased the STG solution?
 14 A. I did.
 15 Q. You did?
 16 A. Yes.
 17 Q. And what sort of feedback did you receive?
 18 A. Billing solution is probably the best in the
 19 marketplace. Success with the implementations.
 20 That's primarily the feedback.
 21 Q. And when you say success with the implementations,
 22 what do you mean?
 23 A. Successful installations of the product. Working
 24 with our team. They loved our team.
 25 (Whereupon material was marked for

Page 43

1 identification as Exhibit 446.)
 2 BY MS. KLIEBENSTEIN:
 3 Q. I'm handing you what's been marked as Exhibit 446.
 4 A. Um-hm.
 5 Q. Are you familiar with this article?
 6 A. I am.
 7 Q. Were you involved in helping place this article,
 8 get it run?
 9 A. I -- I was interviewed by our -- our marketing
 10 department that does press releases and
 11 communications.
 12 Q. And this article is about the features and
 13 benefits of that STG solution; correct?
 14 A. No. It's about the electronic bill payment and
 15 presentment module, which was a component of that.
 16 There was a lot more functionality beyond this.
 17 Q. And I'd like to focus on the last paragraph of
 18 that article, which is a quote from you; correct?
 19 A. It is.
 20 Q. And is that an accurate quote from you?
 21 A. Yeah.
 22 Q. Can you explain to me how -- well, let me ask a
 23 initial question. So the STG electronic bill
 24 payment module that was all about paying bills
 25 online; correct?

Page 44

1 A. Correct.
 2 Q. Obviously, and so can you explain for me why
 3 paying bills on time -- online led to the benefit
 4 of improved cash flow?
 5 A. They were able to get their money quicker after it
 6 was paid online.
 7 Q. So essentially the software sped up the payment
 8 process so that the insurance company could get
 9 more money sooner; right?
 10 A. Yes.
 11 Q. Let's turn to the last page, the very last
 12 paragraph, and that's also a quote from you;
 13 correct?
 14 A. Um-hm.
 15 Q. And is it an accurate quote?
 16 A. Yes.
 17 Q. I see the phrase competitive advantage at the
 18 bottom. What does that phrase mean to you?
 19 A. It -- it helps the insurance company be -- stay
 20 competitive with their -- in their market and
 21 gives them an advantage over companies that don't
 22 have that capability.
 23 Q. Gives them what kind of advantage?
 24 A. Ease of doing business with their clients.
 25 Q. So a competitive advantage would be some sort of

Page 45

1 tool that makes it easier to do business?
 2 A. Yes.
 3 Q. Or some sort of tool that customers like so they
 4 will give more business to that company?
 5 A. I wouldn't call it a tool. A user interface. I
 6 mean, something to ease -- ease of doing business.
 7 Yeah.
 8 Q. So user interface is a type of technology that can
 9 -- can result in competitive advantage?
 10 A. Right now, yes, absolutely.
 11 Q. I forget. Did the STG billing solution have --
 12 yes. It had an externalized business rules
 13 management technology; correct?
 14 A. It had its own component that was used for rules
 15 management. It wasn't a product that we sold
 16 separately.
 17 Q. Understood.
 18 (Whereupon material was marked for
 19 identification as Exhibit 447.)
 20 BY MS. KLIEBENSTEIN:
 21 Q. I'm handing you what's been marked as Exhibit 447.
 22 A. Um-hm.
 23 Q. Are you familiar with is this article?
 24 A. I am.
 25 Q. And in the last paragraph, I see a quote from you.

Page 46

1 Is that quote accurate?
 2 A. Um-hm. Yes.
 3 Q. In your quote, you say that, "The STG billing
 4 solution allows customers to quickly respond to
 5 market changes."
 6 A. Um-hm.
 7 Q. Can you explain that phrase for me? What does
 8 that mean, quickly respond to market changes?
 9 A. In terms of billing, which is what this is focused
 10 on, new billing plans, as the market changes for
 11 new billing plans, they can make those changes
 12 within the billing system.
 13 Q. Can you give me an example of that?
 14 A. Pay twice a year, pay every quarter, one -- a lump
 15 sum payment with monthly small payments. Just
 16 different billing plans associated with the
 17 product.
 18 Q. And how would different billing plans benefit a
 19 customer of the STG billing product?
 20 A. Matches their cash flow needs.
 21 Q. And then I see that the STG billing solution
 22 helped -- would allow customers to bring new
 23 products and services to market ahead of their
 24 competitors. Give me an example of that.
 25 A. Feedback from the customer through the billing

Page 47

1 process to identify new -- new products or new
 2 capabilities that they would like.
 3 Q. And why would an insurance company want to bring
 4 new product -- new products to market?
 5 A. To make money. To sell policies.
 6 Q. At Majesco, were there any other products the
 7 company sold besides the STG product?
 8 A. Globally we had a product called Elixir, which was
 9 a life insurance platform.
 10 Q. And what did Elixir -- what were its functions?
 11 A. It was a policy administration solution for the
 12 life insurance market. At that time, it had not
 13 sold any products in the US.
 14 Q. Any -- any other products?
 15 A. We acquired a software company called Vector
 16 Insurance Services that had a software product for
 17 new business underwriting for the life market, and
 18 that was sold in the US marketplace.
 19 Q. For life insurance companies; right?
 20 A. For life insurance companies. Correct.
 21 Q. And what was that product called that was brought
 22 over from Vector Insurance?
 23 A. Yeah. It was Vector Insurance Services. I -- I
 24 honestly don't remember the name of the product.
 25 It was a component that we integrated into other

Page 48

1 policy administration systems. It was just for
 2 new business underwriting in the life market.
 3 Q. And did -- did that product ever get sold directly
 4 to customers?
 5 A. It did before we acquired the company.
 6 Q. So after Majesco, you moved to Dell Services?
 7 A. Correct.
 8 Q. And what was your -- what was your job function at
 9 Dell Services?
 10 A. Yeah. I was a large financial services client
 11 sales for Dell third party administration
 12 services.
 13 Q. Did that involve software product sales?
 14 A. No. It was services.
 15 Q. And how long were you at Dell?
 16 A. Couple of years, or less than a couple of years I
 17 guess.
 18 Q. And then next you joined CGI Technologies?
 19 A. Correct.
 20 Q. Why did you move -- why did you move from Majesco
 21 to Dell to CGI?
 22 A. So Majesco went through a global reorganization,
 23 excuse me, changed CEOs five times in four years,
 24 and I was working for the CEO for the first three
 25 year, and then after the last couple of years, I

Page 49

1 decided it was time to leave.
 2 Q. And what about the Dell to CGI move; what prompted
 3 that move?
 4 A. Got a -- got a call from a colleague that says
 5 we're looking to fill the North American insurance
 6 solutions -- solutions business leadership role,
 7 and you're the perfect candidate for it.
 8 Q. I see you were responsible for five product lines.
 9 A. Um-hm.
 10 Q. Ratabase was one of them?
 11 A. Correct.
 12 Q. And what was the functionality of Ratabase?
 13 A. It -- it was a -- a dynamic rating and pricing
 14 solution. It's a rules engine for dynamic rating
 15 and pricing.
 16 Q. Is that product competitive with Blaze Advisor?
 17 A. We felt so.
 18 Q. What is your experience over the years with Blaze
 19 Advisor?
 20 A. I learned about it when we were acquiring iLog
 21 through the process of buying iLog, became aware
 22 of Blaze. We looked at the marketplace and
 23 decided to go with iLog at the time. I've kept
 24 track of Blaze through the years as we built our
 25 own rules components versus acquiring a third

13 (Pages 46 - 49)

Page 50

1 party to integrate for the products, and
 2 ultimately have just been aware of it through --
 3 through the trades. That's pretty much it.
 4 Q. At STG, the externalized business rules management
 5 technology what technology did you use at STG?
 6 A. I think it was built-in in .net, or DB -- some
 7 visual basic .net, or something like that. I
 8 don't recall exactly the technology.
 9 Q. So was it a third party, or was it homegrown?
 10 A. It was built by Renaissance or the STG company
 11 before we acquired them.
 12 Q. So back to Ratabase, in your opinion, how was
 13 Ratabase different and similar to Blaze Advisor?
 14 MS. JANUS: And I'll just object to the
 15 extent it's -- you phrased it as in your opinion.
 16 It's not within the scope of his opinions, but ...
 17 THE WITNESS: I can answer?
 18 MS. JANUS: Yeah.
 19 THE WITNESS: Okay. So Ratabase is a rules
 20 engine that you load business rules into, and it
 21 does the same process that Blaze would do by
 22 taking in data, comparing it to the rules, routing
 23 decisions or creating responses to those based on
 24 the company's business logic and rules around
 25 rating and pricing primarily.

Page 51

1 It was a rating -- it was a rules engine
 2 that could do more than rating and pricing, and
 3 some customers did use it for that, but the
 4 primary focus was rating and pricing.
 5 BY MS. KLIEBENSTEIN:
 6 Q. Were you involved in the selling of Ratabase to
 7 customers, potential customers?
 8 A. At an executive level.
 9 Q. And what was the value proposition used when
 10 selling Ratabase?
 11 A. Externalizing the rating rules and pricing rules.
 12 Rapid changes to those rules.
 13 Q. So what were the business benefits that -- the
 14 business benefits that CGI would tout from using
 15 Ratabase?
 16 A. Efficiency and rules management for rating and
 17 pricing. The ability to quickly change the rules.
 18 Q. So one function is the ability to change the rules
 19 quickly?
 20 A. Um-hm.
 21 Q. What would be another feature that STG would tout
 22 as a selling point?
 23 MS. JANUS: Object to the premise of the
 24 question.
 25 THE WITNESS: It's a rules management

Page 52

1 technology. So the ability to externalize the
 2 rules, maintain the rules quickly.
 3 BY MS. KLIEBENSTEIN:
 4 Q. So the -- the ability to externalize the rules?
 5 What would be a business benefit from
 6 externalizing the rules?
 7 A. The -- the ability to change them quickly.
 8 Q. Okay.
 9 A. When the market needed them changed.
 10 (Whereupon material was marked for
 11 identification as Exhibit 448.)
 12 BY MS. KLIEBENSTEIN:
 13 Q. I'm handing you what's been marked as Exhibit 448.
 14 Are you familiar with this article?
 15 A. I am. Press release.
 16 Q. And PEMCO was a customer of CGI?
 17 A. It was.
 18 Q. And PEMCO -- did they license Ratabase?
 19 A. Correct.
 20 Q. So I see in the top of the second paragraph,
 21 "PEMCO will use the most recent version of
 22 Ratabase to decrease the time needed to implement
 23 rate changes."
 24 A. Correct.
 25 Q. And that's what we were just talking about; right?

Page 53

1 A. Correct.
 2 Q. And the next sentence reads, "In doing so, it
 3 plans to improve speed to market, efficiency, and
 4 agent experience." Speed to market; speed to
 5 market of what? Do you know?
 6 A. Rate changes.
 7 Q. And so give me -- give me an example that -- where
 8 speed to market of a rate change -- why a company
 9 would want that.
 10 A. You're incorrectly priced in a certain market you
 11 need to adjust your rates to be competitive.
 12 Q. And so explain to me how the Ratabase software
 13 would assist in that. What would it -- how did it
 14 work? What would it do?
 15 A. It was generally integrated into a bigger
 16 platform, and that platform would allow users to
 17 go in, bring up the rates, maintain them, update
 18 the rules that are in the rating engine that do
 19 that more quickly than going through an IT
 20 development process.
 21 Q. So with the ability to implement rate changes
 22 quicker, theoretically a company would lose less
 23 money or -- or make more money; correct?
 24 MS. JANUS: Object to the form of the
 25 question. Calls for hypothetical, and

14 (Pages 50 - 53)

Page 54

1 speculation.
 2 THE WITNESS: Should I answer? Oh. Those
 3 are attributes that -- to avoid losses as opposed
 4 to -- it's not just a revenue issue. It's a loss
 5 mitigation issue.
 6 BY MS. KLIEBENSTEIN:
 7 Q. So one aspect is a loss mitigation issue?
 8 A. Um-hm.
 9 Q. But another aspect could be a revenue creation
 10 issue; right?
 11 A. Could be.
 12 MS. JANUS: Objection. Yeah. Object to
 13 the form of the question. Calls for speculation.
 14 Hypothetical.
 15 BY MS. KLIEBENSTEIN:
 16 Q. Now moving to the second page, I see a quote from
 17 you. Is this quote accurate?
 18 A. It is.
 19 Q. And the first sentence says, "In a highly
 20 competitive auto market, rating speed is
 21 critical." Critical to -- to what?
 22 A. Having the right price in the marketplace.
 23 Q. And having the right price in the marketplace has
 24 what effect?
 25 A. It -- it affects both the premium revenue as well

Page 55

1 as the loss, claims.
 2 Q. And then I see in the next sentence, "CGI's Rata,"
 3 -- "Ratabase 8 will help PEMCO generate new
 4 business while retaining existing customers." How
 5 would Ratabase 8 help generate new business?
 6 A. Assuming they priced their business properly and
 7 got the new rate into the marketplace quickly,
 8 they could potentially get new business.
 9 Q. More customers; right?
 10 A. More policies.
 11 Q. And how would Ratabase 8 help retain existing
 12 customers?
 13 A. By making sure they are getting the right price.
 14 Q. By the right price, what do you mean by that; the
 15 best price or ...
 16 A. Price that doesn't cause them to move to another
 17 insurance carrier.
 18 Q. Why don't you tell me about your educational
 19 background.
 20 A. Okay. So I went --
 21 Q. You can start in college.
 22 A. Start in college. So I started with an associate
 23 degree in applied science and computer science. I
 24 worked for a number of years and then got my
 25 bachelor's degree in human resource management,

Page 56

1 and then from there, got an MBA with a
 2 concentration in information systems.
 3 Q. Any other educational experience or
 4 certifications?
 5 A. I -- I went to the Wharton School for
 6 certification in insurance executives sponsored by
 7 the American Institute of Property and Casualty
 8 Underwriters. Also have certification in
 9 strategic change from Darden Graduate School,
 10 University of Virginia. I have a number of
 11 certifications in -- in technical technologies
 12 from IBM's Systems Science Institute. They are
 13 just -- they are, you know, COBOL, CICS, stuff
 14 like that. Networking.
 15 Q. And in this case, I see all the way back in
 16 Paragraph 5 you were asked to provide your opinion
 17 on the use of Blaze Advisor in conducting
 18 Federal's day-to-day insurance business and the
 19 role that Blaze Advisor has on Federal's insurance
 20 revenues and profits.
 21 A. Um-hm.
 22 Q. And is that the scope of your opinions?
 23 A. That's correct.
 24 Q. Is there anything -- anything else you intend to
 25 opine on?

Page 57

1 A. No.
 2 Q. Could you please provide me with an overview of
 3 your opinions.
 4 A. So the fundamental overview is Federal really
 5 provides all of the business logic rules, rates,
 6 everything that basically drives their revenue and
 7 profits, and that Blaze is -- it does not have
 8 that capability of business rules and business
 9 logic to drive revenue. It's a tool used to
 10 improve the efficiency of the process, but it
 11 could also cause -- if the rules are not done
 12 correctly by the client, do financial harm to the
 13 client as well.
 14 So like any -- no one technology in an
 15 insurance company is capable of -- of driving
 16 revenue and profit. It's all in support of the
 17 business. It starts with the business logic, the
 18 knowledge of the business, the access to the
 19 markets, and then you add people, process, and
 20 technology to -- to support it.
 21 Q. Can you identify for me in your opinion the
 22 methodology that you used to arrive at that
 23 opinion?
 24 A. Basically over the years in my experience, every
 25 proposal I've done in terms of acquiring

15 (Pages 54 - 57)

Page 58

1 technology has never been based on driving revenue
2 or profit. It's been on improving the efficiency
3 of the operation, which hopefully leads to that
4 but is not responsible directly for it.

5 It's usually the business and their
6 knowledge of the business in using the technology
7 and incorporating the technology that drives the
8 revenue and profits.

9 Q. Got it. I'm asking about something a little bit
10 different. I'm asking about the -- the
11 methodology that you used. So you had a -- you
12 had a request to develop an opinion?

13 A. Um-hm.

14 Q. And what was your -- what was your process to
15 develop that opinion?

16 A. So I went through and looked at all the
17 case-related documents, the complaint. I
18 researched Blaze and where it is now in the
19 marketplace from when I had previously known what
20 Blaze contributed.

21 I reviewed -- did research into insurance
22 carrier -- mostly companies and how they generate
23 revenue and profit, and -- and then formed my
24 opinion based on that research methodology if you
25 will.

Page 59

1 Q. And in your field, your industry, is that -- is
2 that an accepted methodology at arriving at an
3 opinion in your field?

4 A. This is the first expert witness approach. I
5 think it's an appropriate methodology for that. I
6 don't -- I don't render opinions in the normal
7 course of IT consulting other than the use of
8 technology and services.

9 Q. Can you identify for me the paragraphs in your
10 report that identify the methodology used to
11 express your opinions?

12 A. It's on -- under documents and information
13 considered would be from -- from 17 on, 17-18.

14 Q. And what time frame do your opinions address?

15 A. From what time frame? Would you clarify that?

16 Q. Yeah. Is -- today are your opinions about -- let
17 me be more specific. So I take it your major
18 opinion is that Federal generates revenue and
19 profits using core competencies and not Blaze
20 Advisor or any other software technology.

21 A. That's correct.

22 Q. And is -- is your opinion directed at today, or
23 back in 2006 when Blaze was acquired, or something
24 in between?

25 A. I think specifically back when they were acquired

Page 60

1 in 2006 and through the time of 2016. However, I
2 would still hold that opinion today.

3 Q. Did you personally write every paragraph of your
4 report?

5 A. I did.

6 Q. And did you share your report with any other
7 expert in this case?

8 A. Not my report. No.

9 Q. I'd like to ask you a couple of questions to make
10 sure I understand the ins and outs of your
11 opinion.

12 A. Okay.

13 Q. So is it your opinion that Blaze Advisor does not
14 in any way contribute to the revenues, the gross
15 written premiums of Federal?

16 A. Yes.

17 Q. So zero percent?

18 A. Yes.

19 Q. And is it your opinion that Blaze Advisor does not
20 contribute in any way to expense reduction at
21 Federal?

22 A. No.

23 Q. So you -- it is your opinion that Blaze Advisor
24 contributes at least some amount to expense
25 reduction?

Page 61

1 A. It's hard to say that it contributed directly to
2 expense reduction, but my assumption would be that
3 by implementing Blaze as part of a process the
4 process was improved, and therefore there were
5 expense savings. I have no evidence of that in
6 any of the documents I've seen.

7 Q. So it's your opinion that there -- there was at
8 least some, you're not sure how much, on the
9 expense savings side?

10 A. Yes.

11 Q. If you were asked to determine the amount of
12 expense savings achieved through use of Blaze
13 Advisor, how would you go -- what would be your
14 methodology to answer that question?

15 A. To get -- to identify expense savings, you need to
16 set a benchmark up front. You then have to track
17 the work over time, and then you would have to
18 look at where you are at the end, and based on
19 that, determine whether there was actual expense
20 savings or not.

21 Q. In your work in preparing your opinions, did you
22 ask Federal if they had any documentation of
23 expense savings achieved through use of Blaze
24 Advisor?

25 A. Yes.

16 (Pages 58 - 61)

Page 62

1 Q. What was the answer?
 2 A. I did not receive any.
 3 Q. You did not receive an answer?
 4 A. Of the people I asked, the answer was there was no
 5 documentation on it.
 6 Q. Did you speak to anyone in preparing your
 7 opinions?
 8 A. I did.
 9 Q. And is that list of people on Page 7 of your
 10 report?
 11 A. It is.
 12 Q. Is there anybody else that was left off the list?
 13 A. I spoke with on the phone with one of the -- both
 14 experts, Chris Bakewell and Steve Kirsch.
 15 Q. And that's it?
 16 A. That's it.
 17 Q. So let's start from the top. I'd like to
 18 understand who you spoke to and what you spoke to
 19 them about.
 20 Let's take Mr. Mirolyuz. Can you tell me
 21 what questions you asked Mr. Mirolyuz?
 22 A. Not specific questions, but generally we discussed
 23 the -- his role and the rules environment at -- at
 24 Chubb and how Blaze was being used at Chubb in
 25 those -- in the applications that they were

Page 63

1 integrated with.
 2 Q. And what did Mr. Mirolyuz tell you?
 3 A. He basically reinforced what was already in
 4 depositions that I had read. Didn't really learn
 5 a lot of new information directly talking to him.
 6 Q. Did you ask Mr. Mirolyuz if Federal had received
 7 any expense savings through use of Blaze Advisor?
 8 A. I don't remember asking that specifically. No.
 9 Q. Did you ask Mr. Mirolyuz if the use of Blaze
 10 Advisor had directly or indirectly resulted in
 11 additional gross written premium dollars?
 12 A. No. I didn't ask him that. His role was an
 13 application architect. He would have deferred to
 14 the business probably.
 15 Q. Do you recall which of these individuals listed in
 16 Paragraph 16 which you did ask whether Blaze
 17 Advisor had resulted in expense or cost savings at
 18 Federal?
 19 A. I don't remember directly asking any of these
 20 individuals. I looked at their depositions, the
 21 ones that had taken depositions, asking them that
 22 question about revenue.
 23 Q. But you did ask someone. Was that -- was that
 24 counsel? You don't need to tell me the contents
 25 about that.

Page 64

1 MS. JANUS: Don't testify about
 2 conversations with any of the lawyers in case. So
 3 if --
 4 THE WITNESS: If there was -- let me just
 5 look and make sure. Counsel being internal and
 6 external?
 7 MS. JANUS: Yes. Correct. So don't
 8 testify about any conversations you had with
 9 either internal or external counsel.
 10 THE WITNESS: Okay. So I did not ask any
 11 of these individuals that question.
 12 BY MS. KLIEBENSTEIN:
 13 Q. Why not?
 14 A. Because they were technical -- mostly technical
 15 resources or business operations people. They
 16 didn't own the business units. They didn't drive
 17 the revenue, or the profits. They were in support
 18 roles.
 19 Q. Did you ask to speak with anybody in the business
 20 units that had a business role?
 21 A. I did not.
 22 Q. Why not?
 23 A. Because I found all the information I needed in
 24 the case documents, and then the research that I
 25 did.

Page 65

1 Q. Did any of the case documents expressly say Blaze
 2 Advisor has not resulted in any increase in
 3 revenue?
 4 A. Most of them didn't address revenue at all. It
 5 was all about efficiencies.
 6 Q. So from -- from the information about
 7 efficiencies, you concluded that there -- it did
 8 not lead to revenue growth. Blaze Advisor did not
 9 lead to revenue growth?
 10 A. My experience tells me the efficiencies doesn't
 11 necessarily lead to revenue growth.
 12 Q. So efficiencies don't necessarily lead to revenue
 13 growth. That's different than saying efficiencies
 14 never lead to revenue growth; is that right?
 15 A. In this particular case, revenue -- the revenue
 16 was generated by the rules that the company sets
 17 out, not by the technology that they used.
 18 Q. My question was different than that. So yes or
 19 no; efficiencies never lead to revenue growth?
 20 A. In the insurance market, no. They lead to expense
 21 reduction.
 22 Q. I guess what I don't understand is how those two
 23 things are mutually exclusive. So did you ask
 24 anyone on this list whether Blaze Advisor had
 25 resulted directly or indirectly in any revenue

17 (Pages 62 - 65)

Page 66

1 growth?

2 A. I don't recall asking anyone on that list that

3 question, but I could have.

4 Q. And did you ask to talk to any -- any employees in

5 the business units?

6 A. No.

7 Q. Let's move to Kevin Murphy. How many -- on how

8 many occasions did you speak with Mr. Murphy?

9 A. Maybe a handful of times. I don't know exact

10 number, but he was on a number of calls that I was

11 on.

12 Q. Did you -- and just answer this yes or no. Did

13 you have any independent calls with him to -- to

14 gain factual knowledge?

15 A. No.

16 Q. Ms. Ellen Ganes. How many times did you speak

17 with Ms. Ganes?

18 A. She was on two different phone calls.

19 Q. And what was the subject matter of those phone

20 calls?

21 A. How Blaze was being used in specific applications

22 to support those applications.

23 Q. Do you recall which applications?

24 A. TAPS was one of them. Let's get the list. CUW

25 was one of them.

Page 67

1 THE VIDEOGRAPHER: Your microphone.

2 BY MS. KLIEBENSTEIN:

3 Q. And do you recall what questions --

4 THE VIDEOGRAPHER: I didn't catch what he

5 said, his last answer.

6 THE WITNESS: CUW was one. I'm sorry. You

7 asked another question.

8 BY MS. KLIEBENSTEIN:

9 Q. What questions did you ask Ms. Ganes, and what

10 answers did she give you?

11 A. I don't remember specific questions, but it was

12 generally about the use of and how they were using

13 it, why they were using it, what they did with it,

14 what the alternatives were to -- to using Blaze

15 for those applications. Things around -- around

16 that nature.

17 Q. Did you ever -- did you ever use Blaze, or did you

18 ever use any of the applications in which Blaze is

19 used at Federal? Did you -- did you get a tour of

20 them, a demo, any of the applications?

21 A. Reviewed screenshots of various applications that

22 were being used. I didn't physically go onto the

23 applications and use them.

24 Q. And why not?

25 A. Wasn't necessary.

Page 68

1 Q. Did you -- in your -- in your work in preparing

2 your opinions, did you read any of the rules that

3 are -- that were loaded into Blaze Advisor?

4 A. Through some of the -- the exhibits and documents,

5 I read business logic that would have been

6 converted into rules.

7 Q. How many documents with that business logic did

8 you read?

9 A. I don't recall the number. There was quite a few

10 documents.

11 Q. I'm just talking about the ones that had business

12 logic or rules on them. Was it was more than ten,

13 less than ten?

14 A. Honestly don't recall. It was -- it was not a

15 lot.

16 Q. Miss Helen Mencke. What did you speak with her

17 about?

18 A. The same thing; CUW, TAPS. She was in the

19 business operations group.

20 Q. And what questions did you ask her?

21 A. The use of the application, why they -- she wasn't

22 even aware -- both her and Ellen didn't even know

23 Blaze was involved. It was a component behind the

24 scenes to them, and they basically said this is

25 what the application does, this is how rules

Page 69

1 impact that application, and it was all about the

2 usage of the product or of the application.

3 Q. And Miss Verduin. What questions did you ask Miss

4 Verduin?

5 A. She was on a call, on the same call, and I didn't

6 ask her any direct questions, but she was on the

7 call so I assume I listed her on the list.

8 Q. And Mr. Schraer. How many times did you speak

9 with Mr. Schraer?

10 A. Couple times. He was on phone calls when we were

11 talking about the usage of the applications as

12 well.

13 Q. Which applications?

14 A. It was generally this whole list of applications

15 (indicating) that are in the -- on -- it's not --

16 it's not the selling stuff, that's an error, but

17 it's a -- 17914 I think is the Fed number. I

18 can't remember exactly.

19 Q. I think you're right. That's impressive. So what

20 you're -- what you're referring to right now for

21 the record is -- is the chart that's below

22 Paragraph 94?

23 A. Correct.

24 Q. And which applications did Mr. Schraer have

25 knowledge about?

18 (Pages 66 - 69)

Page 70

1 A. He did -- as I recall, he didn't have specific
2 knowledge about the technologies that are in the
3 application. It was more around the business use
4 of the applications that he was -- was talking to
5 him. So -- he was speaking to.
6 Q. And for the business, you said the applications.
7 What do you mean by that?
8 A. How they use CSI Express, DecisionPoint, et
9 cetera. Automated renewal.
10 Q. And what did he tell you?
11 A. Not much more than what was in the case documents
12 to be honest. These were folks that -- that
13 weren't -- weren't mostly aware Blaze was even
14 involved in their applications and how they were
15 being used. It was more about the business
16 functionality that those systems provided.
17 Q. And then Alissa Theberge?
18 A. Let's see who Alissa was, see what her role was.
19 Most of these happened on -- on scheduled calls
20 with the same people.
21 Q. How many times --
22 A. She was an -- she was an underwriter, and talked
23 about the -- as I recall, we -- we talked about
24 the use of CSI Express, and under -- for
25 underwriting.

Page 71

1 Q. And what did she tell you?
2 A. Basically about how they use it, and again, most
3 of the -- I don't recall her -- she specifically
4 said it, but they weren't even aware of Blaze
5 Advisor other than this case where they were
6 instructed this is why they are meeting with an
7 expert to discuss it.
8 Q. Did you talk with Miss Theberge about the features
9 within CSI Express enabled by Blaze Advisor?
10 A. They didn't know anything about Blaze, Blaze
11 Advisor. So no. I did not.
12 I asked them about the functionality of the
13 application and what it was used for, and from
14 that is where they -- one of them said, "We didn't
15 even know Blaze was involved until we got called
16 to this meeting."
17 Q. So within CSI Express, Blaze Advisor provides
18 functionality relating to underwriting decision:
19 is that right?
20 A. It provides a rules service related to
21 underwriting decisions.
22 Q. And did you ask Ms. Theberge about that specific
23 functionality within CSI Express?
24 A. I asked all of these folks if they were aware of
25 Blaze and what it provided, and the answer was no.

Page 72

1 Q. Okay, but you knew what Blaze provided within that
2 application?
3 A. Correct.
4 Q. And the function that it provided?
5 A. Yes.
6 Q. And did you ask her about that function and what
7 her opinion was of that function?
8 A. She said that that's all handled by the IT group
9 on the rules. If they need a change to the
10 business rules that need to be made, they submit a
11 request to IT.
12 Very similar to if it was embedded into an
13 application, which somewhat negates the benefit of
14 the externalization of the rules. They didn't put
15 it in the hands of the business users. It was
16 still the IT folks that maintain the business
17 rules.
18 Q. Got it, but you didn't ask her about any of the
19 specific functions that Blaze Advisor provides
20 within CSI Express?
21 A. She wasn't aware of Blaze so she couldn't answer
22 that question. I -- I didn't -- I asked her about
23 underwriting. I didn't ask her about Blaze, or
24 whatever the business processes were.
25 Q. Understood. My question is a little bit

Page 73

1 different. It's about the functionality within
2 CSI Express --
3 A. Um-hm.
4 Q. -- that Blaze provides.
5 A. Um-hm.
6 Q. And Ms. Theberge is an underwriter; correct?
7 A. Um-hm.
8 Q. So she would be a person that was interacting with
9 CSI Express?
10 A. She's using the functionality that is -- the user
11 interface gives her, and it doesn't say this is
12 Blaze or a rule issue. It's all handled behind
13 the scenes.
14 Q. Right, but you would agree that Blaze is enabling
15 certain functionality within CSI Express?
16 A. It's -- it's supporting the underlying process.
17 Yes.
18 Q. And you did not ask her any questions about the
19 benefits of that functionality; right?
20 A. The benefits of an underwriting application versus
21 the benefits of Blaze is two different things.
22 Q. Understood. Did you ask her --
23 A. I asked her about the application, you know, of
24 the CSI Express application functionality, and
25 it's -- it's basically a -- a policy

19 (Pages 70 - 73)

Page 74

1 administration system with all the functionality
 2 to underwrite a insurance policy. I mean -- and
 3 there's functionality that sits behind the scenes,
 4 not just Blaze, many other components that sit
 5 behind the scenes that are utilized that are not
 6 even visible to most of these people.
 7 Q. So you asked her what it does?
 8 A. It's an underwriting application. Yeah.
 9 Q. Not --
 10 A. Or policy avenue.
 11 Q. Not what she perceived to be the benefits?
 12 A. Yeah. She -- no. I did not ask her about the
 13 benefits to her. What we talked about the
 14 benefits was really Ellen and Helen who basically
 15 said they could do some of this work -- once they
 16 found out Blaze was there, they said it's really a
 17 check the box application, and we don't -- we
 18 could have done this in Excel.
 19 Q. That's for the TAPS application?
 20 A. TAPS. I think TAPS was the one. Yeah. I'd have
 21 to go back and look.
 22 Q. TAPS was the one. Okay, but aside from Ms. Garnes
 23 and Ms. Mencke, you did not ask any of the other
 24 individuals on this list about the benefits of the
 25 functionality of any of the applications that are

Page 75

1 at issue in this case?
 2 A. It's not the applications that are -- it's Blaze
 3 that I was interested in researching, not the
 4 functionality that's provided by Federal's own
 5 applications. I mean ...
 6 Q. Right. I was starting broad and then going to go
 7 a little bit deeper. So your answer to that
 8 questions on the applications is no?
 9 A. No.
 10 Q. And then moving down to the features, within those
 11 applications that are enabled by Blaze, you did
 12 not ask any of these individuals in Paragraph 16
 13 what the benefits were from those features
 14 separate from the functionality?
 15 A. I -- I did not ask them the benefits of those
 16 features from a Blaze perspective because they
 17 told me up front they didn't even know what Blaze
 18 was.
 19 Q. So Miss Santucci. How many times did you speak
 20 with Ms. Santucci?
 21 A. I think that she was on one phone calls, and these
 22 were always group calls with multiple people.
 23 Q. And -- and what did you ask Ms. Santucci?
 24 A. I just -- the same discussion around CSI Express,
 25 CUW to just clarify what I was reading within

Page 76

1 various case documents, depositions, et al., and
 2 it was clarification basically.
 3 Q. Did she -- did she chime in and provide you with
 4 any -- any information in those group calls?
 5 A. She clarified, for example, in CUW, the inventory
 6 management, the role of that functionality within
 7 inventory management, but I don't know if it was
 8 Jennifer or one of the others that said it. I
 9 don't have my notes, but basically they clarified
 10 the functionality of certain activities that used
 11 Blaze, but they didn't know it used Blaze at the
 12 end of the discussion.
 13 Q. So Miss Santucci clarified the functionality of
 14 certain activities within the inventory management
 15 part of CUW that used Blaze?
 16 A. Yeah. I think that was correct, and I think it
 17 was her. I'd -- I'd have to go check my notes,
 18 but all these folks were on the same calls
 19 together, not all of them at the same time
 20 obviously, but -- but the operations folks, the
 21 underwriting folks that are on this list all were
 22 on the same calls together. So just had to
 23 clarify who -- who gave me the response.
 24 Q. So Ms. Santucci knew of functions of certain
 25 activities that use Blaze even though she didn't

Page 77

1 know it was Blaze Advisor behind the scenes?
 2 A. Yes. Yeah.
 3 Q. Anything else that you discussed with Ms.
 4 Santucci?
 5 A. Not that I recall.
 6 Q. Moving on to Mr. Pandey, what did you speak with
 7 him about?
 8 A. The overall information technology architecture, a
 9 number of systems, number of applications where
 10 Blaze was used.
 11 He was the IT side, and I -- I had more --
 12 he was aware of Blaze, and where it was being
 13 used, and how it was being used within a number of
 14 different applications. So he helped clarify what
 15 I was reading in a lot of documents that were
 16 produced by Mirolyuz and others.
 17 Q. And what about Mr. Folz; what did you speak with
 18 him about?
 19 A. About the original justification for acquiring
 20 Blaze. He was the controller back at the time.
 21 He's no longer with the company.
 22 Q. And what role did Mr. Folz have in that -- back in
 23 2006; right?
 24 A. Um-hm.
 25 Q. What role did he have in that process to acquire a

20 (Pages 74 - 77)

Page 78

1 business rules management system?
 2 A. He was the divisional IT controller. He
 3 participated in the business case I guess.
 4 Q. And what was his -- what was the nature of his
 5 participation in the business case?
 6 A. I don't know how detailed he got into the business
 7 case. He's a financial guy looking at the numbers
 8 I'm sure.
 9 Q. A controller is -- I mean, he was -- he was part
 10 of finance; correct?
 11 A. Yes. Yeah.
 12 Q. He was not in the underwriting group; correct?
 13 A. No. As far as I know.
 14 Q. Did you ask him what role he had in the -- the
 15 request for information, the RFI process, back in
 16 2006?
 17 A. No I did not.
 18 Q. Did he tell you what was his role in those 2006
 19 negotiations?
 20 A. Reviewing the financials associated with and the
 21 -- and the overall business case for buying it.
 22 Q. But Mr. Folz did not put together the business
 23 case for --
 24 A. As far as I know, he did not.
 25 Q. And what questions did you ask Mr. Folz?

Page 79

1 A. What was the original justification for bringing
 2 Blaze into the organization.
 3 Q. And what did he tell you?
 4 A. To externalize the rules that were in the Legacy
 5 system to create efficiencies and rule management.
 6 Q. Did -- was Mr. Folz the individual that approved
 7 the purchase of the Blaze license?
 8 A. I did not ask him that question.
 9 Q. Did you ask him how many hours he spent on the
 10 project?
 11 A. No.
 12 Q. Did you ask him his basis for saying -- so did Mr.
 13 Folz tell you the only reason that Blaze Advisor
 14 was acquired was to externalize the rules that
 15 were within the -- the Legacy system?
 16 A. Yes.
 17 Q. And do you know was he reviewing any documents in
 18 order to give you that information?
 19 A. I don't know. It was a phone call so I don't know
 20 if he had documents with him or not, but ...
 21 Q. So that was based on his recollection from 2006?
 22 A. As far as I know. Yes.
 23 Q. But you don't know how significant his role was in
 24 that process?
 25 A. Based on what he told me, he reviewed the

Page 80

1 financials associated with it.
 2 Q. So he reviewed the financials, but we don't know
 3 if he approved them?
 4 A. I don't know -- I don't know if he was the
 5 approver or not.
 6 Q. How long was your conversation with Mr. Folz?
 7 A. Probably a half hour.
 8 Q. Did you talk about -- did he recall what Blaze
 9 Advisor did, what the functionality was?
 10 A. He knew about it in terms of rules management.
 11 That was basically what he knew it did.
 12 Q. Do you know -- do you know why the business wanted
 13 to externalize the rules that were within the
 14 Legacy system?
 15 A. I don't remember specifically him saying anything
 16 other than to externalize the rules and create
 17 efficiencies in managing the business rules.
 18 Q. Did you ask him why the business wanted to
 19 externalize the rules that were within the Legacy
 20 system?
 21 A. There was a business case being put together for
 22 the -- for I think it was CSI Express at the time,
 23 and they had -- they were going to integrate it
 24 into that system.
 25 Q. And so we -- we don't know what that business case

Page 81

1 was?
 2 A. I -- I know now what it was because I saw the RFI
 3 associated with that, but I -- I didn't get that
 4 from him.
 5 Q. And when did you review the RFI?
 6 A. Early on in -- when I got involved and the
 7 documents came to me, or I was -- they gave me
 8 access to some documents. I saw that RFI.
 9 Q. And did you ask Mr. Folz about that RFI?
 10 A. I did not at the time I spoke with him have that
 11 RFI in front of me to talk to him about it.
 12 Q. Why didn't you ask Mr. Folz about that RFI?
 13 A. I asked him about the business case in general,
 14 and we didn't get into the specifics of the RFI
 15 other than what was Blaze being acquired for. I
 16 think if ...
 17 Q. Mr. Claudio's last name?
 18 A. Ghislanzoni.
 19 Q. Ghislanzoni?
 20 A. Ghislanzoni.
 21 Q. Ghislanzoni. Mr. Ghislanzoni. You spoke with Mr.
 22 Ghislanzoni?
 23 A. Um-hm.
 24 Q. And what did you speak with him about?
 25 A. About the overall number of applications in -- in

21 (Pages 78 - 81)

Page 82

1 Federal, and how the component diagrams of CSI
 2 Express, that is in my report, his team I think
 3 put that together, and so we talked about the
 4 components, how many components, number of
 5 applications that use Blaze versus the number of
 6 applications that are within the organization
 7 necessary to conduct their business, et cetera.
 8 Q. Can you look at Paragraph 83 of your report.
 9 A. 83? Okay.
 10 Q. And in that paragraph, you state that Federal
 11 licensed Blaze as a business rules management
 12 system to externalize the business rules that were
 13 existing in Federal applications.
 14 A. Um-hm.
 15 Q. Is your support for that opinion your phone call
 16 with Mr. Folz?
 17 A. Primarily. Yeah.
 18 Q. Anything else?
 19 A. In a lot of the documents, the -- the efficiencies
 20 identified to externalized rules management that
 21 Blaze marketed at the time. So it was more their
 22 marketing documents that were incorporated in a
 23 number of Federal's presentations apparently.
 24 Q. So efficiencies, and you -- you mentioned that
 25 earlier, to create efficiencies. What type of

Page 83

1 efficiencies?
 2 A. Improve the time to market, speed at which changes
 3 could be made. Those were the primary focus I
 4 think of most of the -- the documents I read.
 5 Q. And speed to change you mean the speed to change
 6 the rules; correct?
 7 A. Updating rules more quickly.
 8 Q. What about faster policy administration, quote,
 9 book, buying, et cetera?
 10 A. What I saw was Blaze was integrated with a policy
 11 AD-MIN system that -- that handled all of that
 12 functionality.
 13 So booking a policy doesn't necessarily
 14 need Blaze except for certain decision points
 15 where it reaches out to it, gets an answer, and
 16 comes back. So the -- the functionality of the
 17 policy administration system is what handles all
 18 of that, not -- not Blaze.
 19 Q. And in the second sentence of Paragraph 83, you
 20 wrote, "Federal's justification for acquiring
 21 Blaze did not include a benefit of improved
 22 revenue or growth from the," -- "from the use of
 23 Blaze," and your support again is your phone call
 24 with Mr. Folz?
 25 A. Yes.

Page 84

1 Q. Did you ask him that specifically? Did you ask
 2 him did Federal acquire Blaze to improve revenue?
 3 A. Yes I did.
 4 Q. And what did he say?
 5 A. He said -- he said that it was not justified on
 6 increasing revenue because then they would have to
 7 benchmark it, track it, and justify it, and be
 8 held accountable to it, and that's not the way the
 9 cost benefit analysis process worked within Chubb.
 10 None of the business owners would sign up
 11 for additional revenue for buying technology that
 12 they -- they justified it on efficiencies and
 13 expense.
 14 Q. So if a business owner -- if a business owner at
 15 -- if a -- if a business person at Federal
 16 requested a technology and set increased revenue
 17 as a benchmark, they didn't want -- they didn't
 18 want to go about acquiring technology that way?
 19 A. They -- their process would -- he said it was a
 20 practice within Chubb not to justify any
 21 technology based on growth of revenue or ...
 22 Q. And why was that again?
 23 A. I don't recall his exact words, but if -- if
 24 revenue was used as a justification, it would have
 25 to be benchmarked, technology implemented.

Page 85

1 tracked, and then the revenue that it created
 2 would have to be identified, and justified, and
 3 held account -- they would be held accountable to
 4 that -- that revenue.
 5 Q. So if revenue was used as a justification for
 6 technology, the corporate headache would just
 7 increase; right?
 8 A. And by the way, that's a common practice within
 9 the industry, and I ...
 10 Q. So designating a piece of technology -- putting in
 11 a request for a piece of technology based on
 12 efficiencies versus revenue was -- was based on --
 13 was based on just the internal practice at Federal
 14 at that time; correct?
 15 A. I can't say that specifically, but ...
 16 Q. You can't say that specifically -- specifically,
 17 but you did say it was a common practice within
 18 the IT field not to benchmark to revenue but to
 19 benchmark to expenses; correct?
 20 A. It -- for cost -- cost benefit, generally focused
 21 on hard dollar savings not soft dollar savings,
 22 things you could measure and count, and there are
 23 so many variables in generating revenue.
 24 Technology is only one small piece of the process,
 25 and you can't tie it directly.

22 (Pages 82 - 85)

<p style="text-align: right;">Page 86</p> <p>1 Q. Can't tie it directly to what?</p> <p>2 A. To revenue.</p> <p>3 Q. But that's different than saying a technology</p> <p>4 piece can never contribute to revenue; wouldn't</p> <p>5 you agree?</p> <p>6 A. In the case of insurance and generating policies,</p> <p>7 you never know whether the revenue is going to be</p> <p>8 profitable or not. So technology -- you -- you</p> <p>9 can't tie it directly to the revenue for a</p> <p>10 insurance company.</p> <p>11 Q. Because tying it to the revenue is difficult to</p> <p>12 do; right? Is that what you're saying? Let me</p> <p>13 ask that a different way. That was a bad</p> <p>14 question.</p> <p>15 If you take a piece of technology and you</p> <p>16 try to benchmark its value to revenue, that's more</p> <p>17 difficult to measure than its benefit to expenses;</p> <p>18 is that -- am I saying that right?</p> <p>19 A. Technology in isolation doesn't generate revenue.</p> <p>20 Technology as part of the overall ecosystem of</p> <p>21 people processing technology generate revenue.</p> <p>22 Q. Right, but technology is a part of that ecosystem,</p> <p>23 correct?</p> <p>24 A. From a process point of view, yeah.</p> <p>25 Q. I'm handing you what's already been marked as</p>	<p style="text-align: right;">Page 88</p> <p>1 as to why they are doing it but not the reason for</p> <p>2 buying Blaze, or rules management. It's we're</p> <p>3 doing this, and we need a rules management</p> <p>4 capability.</p> <p>5 Q. And why did Federal need a rules management</p> <p>6 capability --</p> <p>7 A. To --</p> <p>8 Q. -- under this RFI?</p> <p>9 A. -- make it more efficient within the application.</p> <p>10 Q. To make what more efficient?</p> <p>11 A. Rules management. The ability to add, change, and</p> <p>12 delete rules, which is what they state on Page 12.</p> <p>13 Q. And let's take it -- take it up a level in the</p> <p>14 business case. Based on it this RFI, what's your</p> <p>15 understanding as to why Federal wanted to make</p> <p>16 their -- their rules management more efficient?</p> <p>17 A. It was an opportunity to take the rules outside,</p> <p>18 externalize the rules, and make it more efficient</p> <p>19 from an IT point of view.</p> <p>20 Q. But why? Why would they want to do that from a</p> <p>21 business standpoint?</p> <p>22 A. To -- to minimize the IT expense associated with</p> <p>23 maintaining the rules, and improve the time to</p> <p>24 market to make rule changes.</p> <p>25 Q. And those -- those features would support the</p>
<p style="text-align: right;">Page 87</p> <p>1 Exhibit 143.</p> <p>2 A. Um-hm.</p> <p>3 Q. Is this the RFI that you were referring to</p> <p>4 earlier?</p> <p>5 A. Yes.</p> <p>6 Q. And what is your standing -- understanding of this</p> <p>7 RFI? How did it play in the process of eventually</p> <p>8 acquiring the license to Blaze Advisor?</p> <p>9 A. So as the first page shows, it's a RFI for</p> <p>10 maintenance of rule -- renewal processing rules.</p> <p>11 That's the purpose of it.</p> <p>12 It was supporting a business need to be</p> <p>13 integrated into the CSI Express application to</p> <p>14 support rules management. The functionality that</p> <p>15 they were looking to acquire as part of this RFI</p> <p>16 is -- is outlined on -- on Page 12.</p> <p>17 Overall, the requirement is that rules</p> <p>18 processing solution is to include the user's</p> <p>19 ability to do these things and so forth, those six</p> <p>20 bullet points.</p> <p>21 So my understanding of this is they had a</p> <p>22 business, they had a business case, they had a</p> <p>23 system, and they needed a rules management tool,</p> <p>24 and they issued this to buy the rules management</p> <p>25 tool, and they gave them, as this said, background</p>	<p style="text-align: right;">Page 89</p> <p>1 overall business initiative of moving into the mid</p> <p>2 market and smaller accounts; is that right?</p> <p>3 A. Yeah.</p> <p>4 MS. JANUS: Objection.</p> <p>5 BY MS. KLIEBENSTEIN:</p> <p>6 Q. Did you ask Mr. Folz about that business case, the</p> <p>7 -- well, I'll anchor you with a sentence here. So</p> <p>8 in the third paragraph --</p> <p>9 A. Um-hm.</p> <p>10 Q. -- on Page 5 of the RFI --</p> <p>11 A. Um-hm.</p> <p>12 Q. -- it states, "The key strategic initiative in</p> <p>13 this area is expanding and growing the business in</p> <p>14 the mid market and small account."</p> <p>15 A. Um-hm.</p> <p>16 Q. Did -- did you talk with Mr. Folz about that key</p> <p>17 strategic initiative?</p> <p>18 A. We did not. We talked about the justification for</p> <p>19 Blaze.</p> <p>20 Q. And why did you not ask him about that key</p> <p>21 strategic initiative?</p> <p>22 A. Because I'm assuming -- I assumed Blaze was one</p> <p>23 with component of a much bigger ecosystem that was</p> <p>24 driving that business, and the document already</p> <p>25 said the RFI is for maintenance of renewal</p>

Page 90

1 processing rules.
 2 Q. So you only spoke with Mr. Folz about the very
 3 specific project of how did Federal go about
 4 determining who to use to externalize the rules,
 5 what vendor to use?
 6 A. I asked him what was the justification for
 7 bringing in Blaze.
 8 Q. To externalize the business rules?
 9 A. To externalize the business rules.
 10 Q. But you didn't go up a level in the business, why
 11 did you want to externalize the business rules
 12 with Mr. Folz?
 13 A. No I did not. I already had this information
 14 (indicating).
 15 Q. Did you speak with anyone at Federal about this
 16 2006 RFI?
 17 A. It came up in one of the calls with Henry I guess.
 18 Q. And tell me about that conversation.
 19 A. It was, again, about maintenance of the business
 20 rules, and his role in that process. We didn't go
 21 into the business case of commercial business
 22 because he -- and I -- I do recall him -- you have
 23 to ask the -- the business leaders, I'm not
 24 responsible, or something along that line.
 25 Q. Now, this RFI was about implementing a rules

Page 91

1 management system into CSI Express; is that right?
 2 A. That's correct. That's what this says.
 3 Q. And after that 2006 initial engagement, Federal
 4 then expanded their use of Blaze into other
 5 applications; isn't that right?
 6 A. That's correct.
 7 Q. And did you speak with any other individuals or
 8 review any other documents about the business
 9 justifications for implementation in Blaze into
 10 those other applications?
 11 A. There were a number of documents I recall
 12 reviewing that basically repeated the same
 13 justification for multiple instances of precision,
 14 and agility, and quality, and all of the
 15 efficiencies that you get out of externalizing
 16 rules, and managing rules, and so forth.
 17 Q. Precision, consistency, agility, speed, time, and
 18 cost?
 19 A. Yeah.
 20 Q. Are those the -- the various factors that you saw
 21 repeated throughout the various PowerPoint
 22 presentations?
 23 A. Yeah, and those were originated I think in a
 24 PowerPoint from FICO when we were -- they were
 25 looking at setting up the COE.

Page 92

1 Q. And you characterized those -- those five things
 2 as efficiencies; correct?
 3 A. Generally speaking, yes.
 4 Q. Generally speaking, they are efficiencies. Do you
 5 -- do you dispute that Blaze Advisor can achieve
 6 those five, as you call them, efficiencies?
 7 A. No. I don't dispute that.
 8 Q. So to conclude what I was asking a few questions
 9 ago, you did not speak with anyone at Federal
 10 about the business case for implementing Blaze
 11 Advisor into other applications beyond your
 12 conversation with Mr. Folz relating to CSI
 13 Express; is that right?
 14 A. Ask that again.
 15 Q. You did not speak with anyone at Federal about the
 16 -- the reason Blaze Advisor was implemented into
 17 other applications beyond the original 2006 CSI
 18 Express application?
 19 A. I recall conversations with Ramesh, conversations
 20 with Claudio where Blaze initially was brought
 21 into a division and then was expanded into the
 22 other applications as it became the standard for
 23 rules management, and they wanted to leverage the
 24 investment they were making in CSI Express rules,
 25 to leverage that across other applications instead

Page 93

1 of buying additional rules management capabilities
 2 or different vendors for other -- they -- they
 3 talked about it in terms of it became a standard
 4 within Chubb because they already had that
 5 investment, they wanted to leverage that
 6 development across other businesses, other
 7 opportunities.
 8 Q. And so I'm clear, you have never worked at
 9 Federal, Chubb, ACE; correct?
 10 A. Worked at or for?
 11 Q. Well, let's just start with at; correct?
 12 A. I was with a supplier that sold services into
 13 Chubb at one point. Chubb, not Federal.
 14 Q. What I'm trying to confirm is that you don't have
 15 personal knowledge of -- of the materials in your
 16 report?
 17 A. No. No I do not.
 18 Q. So you were -- let's close that loop. You worked
 19 for a supplier that sold services into Chubb?
 20 A. Yeah. Chubb bought Ratabase. Chubb has Ratabase
 21 in their organization, and I was the executive
 22 responsible for the Ratabase product.
 23 Q. So you were working at?
 24 A. CGI.
 25 Q. CGI at the time Chubb bought Ratabase?

Page 94

1 A. No. They bought it before I started with CGI.
 2 Long before I started with CGI. They have had it
 3 for years.
 4 Q. They had a license to Ratabase?
 5 A. Correct.
 6 Q. And did you work with Chubb at all during your
 7 time at -- help me out here. ePolicy -- no. No.
 8 Majesco?
 9 A. No.
 10 Q. Which one of the companies that you worked for --
 11 A. CGI.
 12 Q. CGI. Okay. Let's back this up. Did you work
 13 with Chubb directly during your time at CGI?
 14 A. No. Not directly. I was the executive
 15 responsible for the -- for the product, and the
 16 salespeople may call me in occasionally to have a
 17 meeting, mostly a customer relationship management
 18 meeting.
 19 Q. Do you recall any meetings with Chubb?
 20 A. Back before they acquired ACE? Yes.
 21 Q. And tell me about those meetings. What do you
 22 recall?
 23 A. It was just meeting -- meeting on their use of
 24 Ratabase, and obviously we wanted to expand the
 25 use of Ratabase in the -- in the organization, and

Page 95

1 so I met with the -- with the -- with a
 2 representative from Chubb that was in the IT area
 3 that used Ratabase in the business.
 4 Q. And what was the subject matter of that meeting?
 5 A. Ratabase, and discussing their use of it.
 6 potential uses they could use it for in other
 7 parts of their business, et cetera.
 8 Q. And do you recall, from the CGI perspective, did
 9 CGI tell Chubb why Chubb should expand their use
 10 of Ratabase?
 11 A. Basically to leverage their investment. Because I
 12 was in that discussion with -- with them, to
 13 leverage their investment into other areas of the
 14 company.
 15 Q. Were there any business benefits that CGI outlined
 16 for -- for Chubb in that meeting?
 17 A. We had no detail about those other areas of the
 18 business other than we know we've used it those
 19 areas before. So we had no quantified benefits to
 20 share with them.
 21 Q. Were there any unquantified benefits that were
 22 shared with Chubb in that meeting?
 23 A. Just marketing material about the efficiency of
 24 using a rules -- an externalized rules management.
 25 No -- no -- nothing other than that. I mean, it

Page 96

1 was all about leveraging the external rules
 2 management capability.
 3 Q. And did you get any feedback from Chubb in that
 4 meeting about their opinion of -- of Ratabase?
 5 A. In the business unit they were using it, they were
 6 very happy with it, but it wasn't the corporate
 7 standard for --
 8 Q. And --
 9 A. For that function.
 10 Q. And why were they happy with Ratabase?
 11 MS. JANUS: Objection. Lacks foundation.
 12 THE WITNESS: It -- it was working for
 13 them, and they were happy with it, and they got
 14 the functionality they needed for that particular
 15 application that was using it.
 16 BY MS. KLIEBENSTEIN:
 17 Q. Before we break for lunch, I'd like to talk about
 18 -- let's move to Paragraph 21 of your report.
 19 A. Um-hm.
 20 Q. You mentioned the core competencies?
 21 A. Um-hm.
 22 (Whereupon material was marked for
 23 identification as Exhibit 449.)
 24 BY MS. KLIEBENSTEIN:
 25 Q. I'm handing you what has been marked as Exhibit

Page 97

1 449.
 2 A. Yup.
 3 Q. Are you familiar with this article?
 4 A. I am.
 5 Q. And is this the article that forms -- is this the
 6 article referencing the same core competencies
 7 that you reference in Paragraph 21?
 8 A. It is.
 9 Q. And I'd like for you to tell me about the concept
 10 of core competencies. What is that concept, and
 11 how does it apply in business in your opinion?
 12 A. In order to be in business, you have to have a
 13 certain set of core competencies that include
 14 people, process, and technology to -- to deliver
 15 capabilities that generate revenue, generate
 16 profit. So you -- without the -- without those
 17 core competencies, you can't be in business.
 18 Q. And technology forms one leg of the core
 19 competency of a company; correct?
 20 A. The use of technology.
 21 Q. Why -- how did I get it wrong? Why did you
 22 correct me to say the use of technology?
 23 A. Technology in and of itself isn't a core
 24 competency of an insurance company for example,
 25 but it is a -- something they use, and how they

25 (Pages 94 - 97)

Page 98

1 use it determines whether they are going to be
 2 successful or not.
 3 Q. Is technology ever a core competency of a company
 4 in general --
 5 A. If you're a technology company.
 6 Q. So what is the support to say that an --
 7 technology can never be a core competency of an
 8 insurance company?
 9 A. They don't sell technology. They don't market
 10 technology. They don't access technology markets.
 11 They -- they use technology to support their
 12 business.
 13 Q. So let's take Federal today --
 14 A. Um-hm.
 15 Q. What do you view as Federal's core competencies
 16 today?
 17 A. Their underwriting ability.
 18 Q. When you say underwriting ability, what does that
 19 include?
 20 A. It includes their knowledge and expertise of the
 21 risks that they want to take and write and
 22 support.
 23 Q. Anything else besides the underwriting ability?
 24 A. Their people are a core competency.
 25 MS. KLIEBENSTEIN: Would you tell them

Page 99

1 we're good for now. We're good for now. Thank
 2 you so much.
 3 BY MS. KLIEBENSTEIN:
 4 Q. So the people are a core competency of Federal,
 5 but Federal doesn't sell people; right?
 6 A. No.
 7 Q. They use people to support their business; right?
 8 A. Correct.
 9 Q. So how are people different than technology?
 10 Because I heard you say Federal doesn't sell
 11 technology, they use it to support their business,
 12 but it's not a core competency.
 13 A. The insurance knowledge and expertise sets in
 14 those people in their minds.
 15 Q. So we've got underwriting ability, we've got
 16 people. Anything else that's a core competency of
 17 Federal today?
 18 A. I would -- how they put it all together to deliver
 19 it to the market is a core competency of theirs.
 20 Q. And this article uses a phrase for that. What was
 21 it?
 22 A. Production skills I guess is what -- what the
 23 article references.
 24 Q. Complex harmonization of skills. So on the -- the
 25 very first page, kind of the prologue, I see in

Page 100

1 the bottom third a section titled Build Core
 2 Competencies.
 3 A. Um-hm.
 4 Q. "Once you've identified core competencies, enhance
 5 them. Invest in needed technology." Would you
 6 agree that technology can enhance core competency?
 7 A. Yes.
 8 Q. Have you used this article in your professional
 9 activities before?
 10 A. Yes.
 11 Q. Tell me how.
 12 A. Used it in the -- at Allianz to focus on its core
 13 competencies for insurance and what made it
 14 successful.
 15 Q. And did you do any -- did you undertake any effort
 16 to determine what Allianz' core competencies were
 17 when you -- when you worked at Allianz?
 18 A. Actually, it was Fireman's Fund specifically
 19 within Allianz, but yes, I looked at the
 20 capabilities of the organization, their knowledge
 21 and expertise, what made them successful and what
 22 didn't, and focused on growing the things that
 23 made them successful versus the things that did
 24 not.
 25 Q. So is a core competency simply -- can a core

Page 101

1 competency be boiled down to some thing, some
 2 aspect, some trait of a company that makes them
 3 successful?
 4 A. When you say traits, capability of a company.
 5 Q. So a capability that makes that company successful
 6 compared to its competitors?
 7 A. Correct.
 8 Q. So at Allianz, what -- what were the core
 9 competencies that you identified?
 10 A. The markets they were in, the underwriting that
 11 they did in those marketplace, their ability to
 12 invest -- invest premium and make money,
 13 investment income.
 14 Q. So for Federal today, the core competencies are,
 15 just so I'm sure I have it, the underwriting
 16 ability, people, and how they -- how they put it
 17 all together: those are the three --
 18 A. How they harmonize the people, the process, the
 19 technologies.
 20 Q. And what was your methodology to arrive at the
 21 opinions regarding what are Federal's core
 22 competencies?
 23 A. Based on my experience. Evaluating what they do.
 24 Q. Did you speak to anyone at Federal about their
 25 core competencies?

26 (Pages 98 - 101)

Page 102

1 A. Not directly, but indirectly by talking about
 2 their technology, their underwriting, their -- the
 3 markets they were in.
 4 Q. What documents support your conclusion as to these
 5 three -- what documents support your opinions
 6 identifying these three core competencies of
 7 Federal?
 8 A. Of the ones I've reviewed, I'd say it's the annual
 9 reports.
 10 Q. What annual -- which annual reports did you
 11 review?
 12 A. I looked at '16 through '18.
 13 Q. Did you look at the 2006 annual report?
 14 A. Didn't go back to 2006. No. It wasn't available
 15 to me.
 16 Q. Why not?
 17 A. I didn't ask for it.
 18 Q. Why didn't you feel you needed to go review the
 19 2006 annual report?
 20 A. The time frame we were looking for was from '14 to
 21 '16, and the '16 report was for -- for '15, and I
 22 figured that was the -- the starting point for me.
 23 Q. So to confirm, technology, not just Blaze Advisor,
 24 technology in general is not a core competency of
 25 Federal?

Page 103

1 A. I wouldn't consider technology in isolation a core
 2 competency of Federal.
 3 Q. So my question was kind of a yes or no. Is
 4 technology a core competency of Federal, yes or
 5 no, but I think --
 6 MS. JANUS: Asked and answered.
 7 BY MS. KLIEBENSTEIN:
 8 Q. -- you're somewhere in the middle on that?
 9 A. No. I stand by my answer. It's not --
 10 Q. You're not --
 11 A. In isolation, technology is not their core
 12 competency.
 13 Q. So technology is -- technology at Federal is not a
 14 capability that makes it successful compared to
 15 its competitors?
 16 A. I didn't say that. What I said it's not their
 17 core competency.
 18 Q. And I understood. Earlier we talked about how you
 19 would define a core competency, and I wrote down
 20 that you said a core competency is a capability
 21 that makes it, a company, successful compared to
 22 its competitors.
 23 A. Um-hm.
 24 Q. Agreed?
 25 A. Um-hm.

Page 104

1 Q. And you've also told me that technology is not a
 2 core competency in isolation of Federal?
 3 A. Um-hm.
 4 Q. So I'm putting those two together. At Federal,
 5 technology is not a capability that makes it
 6 successful compared to its competitors; would you
 7 agree with that?
 8 A. No.
 9 Q. Why not?
 10 A. Because it's the integration of people, process,
 11 and technology that makes them successful.
 12 Q. So technology is a core competency of Federal, but
 13 only along with and tied together with the people
 14 and the processes; did I get that right?
 15 A. Technology is not a core competency of Federal.
 16 Q. The integration of people, processes, and
 17 technology is a core competence of Federal?
 18 A. Yes.
 19 Q. Okay. So just so I'm clear though, technology is
 20 a part of one of the core competencies of Federal;
 21 right? It's part of people, process, and
 22 technology?
 23 A. Technology is used by Federal as part of the
 24 process to do their business.
 25 Q. We'll go through this one, and then we'll take a

Page 105

1 lunch break. Not every page.
 2 (Whereupon material was marked for
 3 identification as Exhibit 450.)
 4 THE WITNESS: Thank you.
 5 BY MS. KLIEBENSTEIN:
 6 Q. Is this one of the annual reports that you read in
 7 preparation for your opinions today?
 8 A. It is.
 9 Q. Can you point out to me where in this 2018 annual
 10 report -- well, let me back up.
 11 You used this annual report to develop your
 12 opinions as to what are the core competencies of
 13 the Federal; correct?
 14 A. Correct.
 15 Q. Can you point out for me in this document what
 16 supports those opinions?
 17 A. Well, the -- the comparison to peers --
 18 Q. Help me out here.
 19 A. Okay. I'll have to go through this again to look
 20 exactly where it is.
 21 Q. And you can take your time.
 22 A. The craft of underwriting was an area that I
 23 focused on.
 24 Q. Can you say that again, and help me out by giving
 25 me pages and --

27 (Pages 102 - 105)

Page 106

1 A. Oh. I'm sorry. The craft of underwriting
 2 starting on Page 5.
 3 Q. Okay.
 4 A. And it talks to their success in underwriting
 5 compared to peers. Their ability to -- to invest
 6 money and make a return on Page 6, investment
 7 income.
 8 Q. So the section that starts titled Record
 9 Investment Income?
 10 A. Investment income, yup, and if you look on Page 6
 11 at the bottom, it shows a peer comparison of the
 12 share value, book value, share growth, and then on
 13 the growth strategies, starting on Page 8 and
 14 going through I think it's Page 14.
 15 Q. So the section titled Growing Profitable
 16 Profitably while Preserving Margins?
 17 A. Yup, and then on Page 10, seizing growth
 18 opportunities against market realities, and again
 19 on Page 12, the growth segments increasing
 20 earnings contributors. I think that was largely
 21 from a summary point of view where I focused my
 22 opinion. The rest of it was detail breakdown of
 23 their financials and their strategy by line of
 24 business by geography and so forth.
 25 Q. So the core competencies that you identified were

Page 107

1 underwriting ability, people, and how they put it
 2 together?
 3 A. How they put all that together to grow and be
 4 successful.
 5 Q. And so I see a section on underwriting in this
 6 2018 annual report, but explain to me how the
 7 other sections, the record investment income,
 8 growing profitably while preserving margin,
 9 seizing growth opportunity and growth segments,
 10 how do those get to the opinion that it's the
 11 other core competencies are the people and how
 12 they put it all together.
 13 A. Well, it takes people to do this, and their -- you
 14 compare to their peer groups they outperformed in
 15 all the categories to the peer groups, and it
 16 takes technology to implemented to support all of
 17 this, and the way they put all of that together
 18 formed my opinion that they were better than the
 19 others, and it's their core competency.
 20 Q. On the top of Page 10 --
 21 A. Um-hm.
 22 Q. -- Mr. Greenberg, the chairman and CEO of -- of
 23 Chubb wrote, "A competitive advantage of Chubb is
 24 our expense management."
 25 A. Um-hm.

Page 108

1 Q. Do you agree with that statement?
 2 A. Based on the -- what they have produced
 3 financially, yes.
 4 Q. "Which contributes toward a lower combined ratio."
 5 A. Um-hm.
 6 Q. That's another way of saying a higher
 7 profitability ratio; right?
 8 A. A lower combined ratio has higher underwriting
 9 profit, but not necessarily overall profit.
 10 Q. And you would agree Blaze Advisor, whether or not
 11 it contributes to revenue is one thing, but at the
 12 very least, it contributes to expense are
 13 reduction; correct?
 14 MS. JANUS: Object to the form of the
 15 question. Misstates the testimony.
 16 THE WITNESS: I cannot tie with what I've
 17 got information expense savings to Blaze.
 18 BY MS. KLIEBENSTEIN:
 19 Q. Do you have enough information to be able to tie
 20 expense savings to any other factor?
 21 A. That wasn't the scope of my review.
 22 MS. KLIEBENSTEIN: Do you need to change
 23 the tape? Yeah. Go for it.
 24 THE VIDEOGRAPHER: We are going off the
 25 record. The time is 12:02.

Page 109

1 (Whereupon a short break was taken from
 2 12:02 p.m. to 12:05 p.m.)
 3 THE VIDEOGRAPHER: We are back on the
 4 record. This is the beginning of Media Number 3.
 5 The time is 12:04.
 6 BY MS. KLIEBENSTEIN:
 7 Q. Let's move to Page 14 of the annual report. I'd
 8 like to focus on the section entitled Insuring
 9 Chubb is Compelling in a Digital Age --
 10 A. Um-hm.
 11 Q. You did not identify this section as informing
 12 your opinions. Why is that?
 13 A. I looked at this more as where they are headed,
 14 not where they have been.
 15 Q. Did you look to see whether the 2006 annual report
 16 had a similar section focused on the use of
 17 technology?
 18 A. I did not.
 19 Q. And why not?
 20 A. I didn't feel I needed to go back to 2006 for that
 21 information, but ...
 22 Q. About two-thirds of the way down in the first
 23 paragraph --
 24 A. Um-hm.
 25 Q. -- it says, "This is the industry's arms race, and

Page 110

1 it will determine the future industry winners
 2 while making our industry more vital and
 3 relevant."
 4 A. Um-hm.
 5 Q. And Mr. Greenberg is talking about technology in
 6 that sentence; correct?
 7 A. Correct.
 8 Q. Do you have any reason to disagree with that
 9 opinion from Mr. Greenberg?
 10 A. No.
 11 Q. And again, you didn't look back at earlier annual
 12 reports to determine if similar statements were in
 13 earlier annual reports; correct?
 14 A. I did not. I didn't go back to 2006, and I don't
 15 recall seeing a heading like this about
 16 technology. They talk about technology in '14 --
 17 '15 or '16, '17, '18, but it's all forward
 18 looking. It's not backward looking.
 19 Q. And in the middle column --
 20 A. Um-hm.
 21 Q. -- the second paragraph in on investments --
 22 A. Um-hm.
 23 Q. -- it says, "Our investments in new technology and
 24 digital innovation are contributing to our risk
 25 reduction and pricing capabilities."

Page 111

1 A. Um-hm.
 2 Q. Do you have any reason to disagree with Mr.
 3 Greenberg's opinion there?
 4 A. I do not.
 5 Q. And again, you don't know whether a similar
 6 statement exists in -- in prior annual reports;
 7 correct?
 8 A. I do not.
 9 Q. And at the end of this paragraph, a sentence
 10 starts, "These technology also enhance customer
 11 experience at the point of sale with two questions
 12 quoting small commercial and quote buying in a
 13 matter of minutes as near term objectives."
 14 A. Um-hm.
 15 Q. That's a capability that Blaze Advisor provides
 16 for Federal, correct, already?
 17 A. The application that uses Blaze provides customer
 18 interface. There's a lot of factors that go into
 19 that -- that customer experience. So again, it's
 20 not the fact that Blaze can serve up a rule
 21 quickly. You could have network problems that
 22 provided a bad customer experience.
 23 So, yes, Blaze is involved in the
 24 application that does quoting, but it's not the
 25 reason they get the complete experience, customer

Page 112

1 experience.
 2 Q. It's not the reason they get the complete customer
 3 experience. I don't -- I don't understand what
 4 you mean by that.
 5 A. If an agent went on to get a quote --
 6 Q. Right.
 7 A. -- and Blaze was being used as part of the
 8 application to get the quote, there's many other
 9 factors that determine the customer experience,
 10 not just Blaze.
 11 Q. And you haven't done any investigation to
 12 determine what percentage of that experience is
 13 related to Blaze Advisor; correct?
 14 A. I have not.
 15 Q. Over in the first column at the bottom, it says,
 16 "At Chubb, we intend to be one of those winners."
 17 A. Um-hm.
 18 Q. "We are continuing to execute on our strategic
 19 plans to transform ourselves to insure Chubb is
 20 compelling in a digital age."
 21 A. Um-hm.
 22 Q. "We are making good progress and our
 23 transformation is already contributing to revenue
 24 growth and expense reduction opportunities."
 25 Did you -- did you consider that paragraph

Page 113

1 in developing your opinions?
 2 A. I read that paragraph. In terms of my opinion,
 3 all of this was forward looking to me. They are
 4 transforming, and I don't know what they are
 5 transforming. It could be people. It could be
 6 process. It could be either IT organization, it
 7 could be technology.
 8 Q. Do you disagree with Mr. Greenberg's statement
 9 there?
 10 A. I don't disagree with his statement, but I don't
 11 have enough detail to -- to know what he's talking
 12 about when he's talking about transformation.
 13 Q. And the sentence starts, "We are making good
 14 progress," which suggests that it's already
 15 happening; correct?
 16 A. And I -- and I don't see any evidence of tying
 17 that progress to technology.
 18 Q. Did you ask for any?
 19 A. No.
 20 Q. Did you ask anybody at Chubb about Mr. Greenberg's
 21 opinions relating to what he says is "our
 22 transformation is already contributing to revenue
 23 growth," --
 24 A. That was not the scope of my review.
 25 Q. On the top of the third column on Page 14 --

29 (Pages 110 - 113)

Page 114

1 A. Yup.
 2 Q. -- again, continuing on with the discussions of
 3 technology, Mr. Greenberg wrote, "In terms of
 4 efficiencies, the use of robotics and artificial
 5 intelligence will allow our underwriters to spend
 6 more of their time on higher value portfolio level
 7 activities and our claims handlers on more time
 8 sensitive complex claims."
 9 A. Um-hm.
 10 Q. Do you have any reason to disagree with that
 11 statement?
 12 A. No.
 13 Q. The next sentence says, "By eliminating low value
 14 activities and their expense, we project hundreds
 15 of millions of dollars in savings over the course
 16 of the next five years."
 17 Do you have any reason to disagree with
 18 that statement from Mr. Greenberg?
 19 A. No.
 20 Q. Would you agree with me that a business rules
 21 management system like Blaze Advisor allows
 22 underwriters to spend more of their time on higher
 23 value portfolio level activities?
 24 A. I don't know. I don't have any evidence of that,
 25 but I suspect that this comment was robotics and

Page 115

1 1 artificial intelligence, which is not part of the
 2 2 use of Blaze.
 3 3 So in the context of robotics and artificial
 4 4 intelligence is where I took him to mean they are
 5 5 eliminating low value activities.
 6 6 Q. You spoke with some underwriters at Federal,
 7 7 correct, in preparing your opinions?
 8 8 A. I did.
 9 9 Q. And did you ask them whether the applications at
 10 10 issue in this case allowed them to spend their
 11 11 time on higher value activities as opposed to
 12 12 manually approving applications?
 13 13 A. I didn't ask them that specific question, no, but
 14 14 they -- they used the CSI Express application,
 15 15 which is Federal's application, and they were
 16 16 happy with the functionality that it provided.
 17 17 MS. KLIEBENSTEIN: I think we can take a
 18 18 lunch break.
 19 19 THE VIDEOGRAPHER: We are going off the
 20 20 record. The time now is 12:14.
 21 21 (Whereupon a lunch break was taken from
 22 22 12:15 22 p.m. to 1:12 p.m.)
 23 23 THE VIDEOGRAPHER: We're back on the
 24 24 record. The time now is 1:11.
 25 25 BY MS. KLIEBENSTEIN:

Page 116

1 Q. Moving to Paragraph 23 of your report Mr.
 2 McCarter, what is your support for the opinions in
 3 Paragraph 23?
 4 A. That's my experience.
 5 Q. The second sentence uses the phrase in any -- in
 6 any appreciable sense. It says, "Federal's use of
 7 Blaze in connection with some of its software
 8 applications does not contribute to Federal's
 9 overall gross written premium revenue and profit
 10 in any appreciable sense." What does that phrase
 11 mean; any appreciable sense?
 12 A. It basically means that it's part of the process,
 13 but it's not directly tied to it.
 14 Q. Part of the process of what?
 15 A. Of the applications that it's used in to generate
 16 the revenue and profit. It's an additional
 17 component.
 18 Q. So those -- is it your opinion that those software
 19 applications, the ten that you identify in your
 20 report --
 21 A. Um-hum.
 22 Q. -- do those software applications contribute to
 23 Federal's overall growth strength and premium
 24 revenue?
 25 A. I would say the same thing, that it takes the

Page 117

1 business logic, the business rules, and so forth
 2 to load into those applications to allow them to
 3 generate revenue. So they in no -- they --
 4 there's more technology there to contribute to the
 5 process, but it's still the revenue is being
 6 generated by the knowledge that's being loaded
 7 into there; rates, pricing, et al.
 8 Q. So the revenue -- in your opinion, the revenue is
 9 not generated by the software application?
 10 A. That's correct.
 11 Q. There's one sentence in this paragraph that says,
 12 "Federal at times implemented rules that reduced
 13 gross written premium revenue." --
 14 A. Um-hm.
 15 Q. -- "and revenue growth based on its underwriting
 16 requirements." Can you give me an example?
 17 A. They changed rate for coverage downward, and
 18 therefore the policies that were generated as a
 19 result of it would have had less revenue than if
 20 they had changed -- moved the rate up.
 21 Q. And you're -- in making that conclusion, you're
 22 presuming that the number of policies sold stayed
 23 the same?
 24 A. Not necessarily, but it could have stayed the
 25 same. They could have even increased it depending

30 (Pages 114 - 117)

Page 118

1 on whether the price went down too.
 2 Q. So if the rate decreases but the number of
 3 policies sold increases, there could have been a
 4 -- an increase in revenue?
 5 A. I can't answer that. I don't -- I don't know what
 6 the rate decreased to or what -- how many policies
 7 were ultimately generated.
 8 Q. So this sentence, "Federal at times implemented
 9 rules that reduced gross written premium
 10 revenue," --
 11 A. Um-hm.
 12 Q. -- that's a hypothetical?
 13 A. It's based on my experience.
 14 Q. Because you don't know one way or the other
 15 whether that actually happened at Federal?
 16 A. I don't have the evidence of the number of
 17 policies or the rates. No.
 18 Q. The next sentence says, "Federal also had at times
 19 quality issues with rules that led to bad
 20 decisions." Can you give me an example of that
 21 scenario?
 22 A. That I was told that -- that in changing rules and
 23 missed -- certain things may have been missed in
 24 testing that allowed a -- a rule to get through
 25 that caused the wrong rate to be applied to a

Page 119

1 coverage, or the wrong rule to be applied to a
 2 coverage.
 3 So again, based on my experience, it was
 4 logical that that would have happened.
 5 Q. And in that instance, revenue would go down?
 6 A. Potentially.
 7 Q. Who told you about this example happening at
 8 Federal?
 9 A. I don't recall.
 10 Q. And you -- you mentioned something happened that
 11 allowed a bad rule to get through. What is a bad
 12 rule?
 13 A. It was a rule that was loaded with -- that was
 14 supposed to do one function or one provide one
 15 data point, and it provided the wrong data point.
 16 So therefore the decision that was made was not
 17 consistent with what the expectation was
 18 originally when the rule was loaded.
 19 Q. And that -- that was a problem in the rule itself,
 20 not the loading?
 21 A. Correct.
 22 Q. So in that instance, that example, human error
 23 essentially could have led to revenue decrease; is
 24 that right?
 25 A. It -- assuming the -- the software was working

Page 120

1 correctly, it would have been whoever loaded the
 2 rule.
 3 Q. But again, you're not sure if that actually led to
 4 a revenue decrease?
 5 A. I'm not. I don't have any evidence of that.
 6 Q. Did you ever ask for evidence or ask any of the
 7 people that you talked to about an example where
 8 the rules as loaded into Blaze Advisor resulted in
 9 an increase to the gross written premium revenue?
 10 A. No.
 11 Q. Why not?
 12 A. Based on the case documents I reviewed, I had the
 13 information I needed about what it was being used
 14 for, and based on my opinion, it's -- it's the
 15 content of the rules, not -- that drive the
 16 revenue, not the fact that the rule is loaded into
 17 Blaze.
 18 It's whatever rules were put in the intent
 19 was to either increase revenue, or reduce revenue,
 20 or increase loss, or increase the -- the chance
 21 against loss on the policy.
 22 So I mean, the business intent is always to
 23 make money and grow revenue with anything they do.
 24 So I didn't feel the need to talk to them about
 25 it, the people that I talked to.

Page 121

1 Q. And technology is just a tool to enhance that
 2 revenue growth; correct?
 3 MS. JANUS: Object to the form of the
 4 question.
 5 THE WITNESS: It's a tool to support the
 6 business process.
 7 BY MS. KLIEBENSTEIN:
 8 Q. My question was though: Do you agree that
 9 technology is a tool to enhance revenue growth?
 10 MS. JANUS: Object to the form of the
 11 question.
 12 THE WITNESS: There's no guarantee that the
 13 tool would generate revenue growth. It's a tool
 14 to support the business process.
 15 BY MS. KLIEBENSTEIN:
 16 Q. And the business process -- based on your
 17 experience, the business process at Federal is to
 18 increase revenues; correct?
 19 A. It's to -- it's to grow the business. Yes.
 20 Q. Did you ever ask for documents, or did you ever
 21 ask any of the employees you talked to about an
 22 example where the rules as loaded into Blaze
 23 Advisor reduced expenses?
 24 A. I don't recall asking that specifically. No.
 25 Q. Why not?

<p style="text-align: right;">Page 122</p> <p>1 A. I had documents that alluded to the IT savings 2 that they would have achieved by externalizing the 3 rules, which was the business case for -- for 4 Blaze. 5 Q. And how did those documents inform your opinion? 6 A. They provided data that said there -- there was 7 improvement in the IT efficiency. 8 Q. Improvement in -- what do you mean by that, 9 improvement in IT efficiency? 10 A. Faster turnaround of changes. Primarily I think 11 they focused on the -- the amount of time it took 12 to make those changes to the rules. 13 Q. So you would agree that based on your review of 14 the documents by use of Blaze Advisor Federal 15 experienced a reduction in the amount of time it 16 took Federal to make changes to the rules? 17 A. Overall, I don't know. I have no evidence of it. 18 So I can't say one way or another it did, but the 19 goal as outlined in the marketing documents were 20 -- were to do that. 21 Q. Turning to Paragraph 25 of your report. 22 A. Yup. 23 Q. You state that, "Mr. Whitener does not undertake 24 to measure any efficiencies Blaze provided to 25 Federal." Did you undertake to measure any</p>	<p style="text-align: right;">Page 124</p> <p>1 no investigation of the impact on -- the impact of 2 Blaze Advisor on expenses? 3 A. Because I don't -- I don't believe there was 4 metrics for me to be able to come up with any 5 efficiencies that were gained. It's -- it's a 6 goal in every document I read, but it was never 7 articulated as did they actually achieved those 8 with -- with empirical data that suggested it 9 would. 10 Q. So your opinion is that Blaze Advisor in the 11 normal course of business had no impact on profits 12 because there's an absence of metrics regarding 13 its impact on expenses? 14 A. No. Because I don't -- I think it's the decision 15 -- it's the rules and decisions that the people 16 make that impact the revenue and profits, not the 17 technology itself. 18 Q. Understood on the revenue. I'm focused on the 19 profit here. 20 A. Same on profits. I mean, making something faster 21 doesn't necessarily improve the profits. You can 22 get -- I can -- I can look at a thousand more 23 applications for insurance, but if they are bad 24 applications, I lose profits. 25 Q. You lose revenue?</p>
<p style="text-align: right;">Page 123</p> <p>1 efficiencies Blaze provided to Federal? 2 A. I -- I did not. 3 Q. And why not? 4 A. Wasn't in my scope to do that. 5 Q. And remind me of your -- the specific scope of 6 your -- your job here in this case. 7 A. The use of -- how Blaze Advisor is used in the 8 normal course of the day-to-day business of 9 Federal, and the impact that it would make on 10 revenue and profits. 11 Q. Profits is revenue minus expenses; correct? 12 A. Yes. 13 Q. So if you're assessing the impact that Blaze has 14 on profits, why wouldn't you assess its impact on 15 expenses as well? 16 A. I had no metrics that were provided to determine 17 what the impact would have been or would not have 18 been. My opinion is it has no effect on revenue 19 or profits, and so I felt no need to try to create 20 metrics from the past that would be needed to see 21 if there was truly an impact or not because I 22 don't believe there is an impact on revenue and 23 profits. 24 Q. So setting aside the revenue, how can you have an 25 opinion on the impact on profits if you undertook</p>	<p style="text-align: right;">Page 125</p> <p>1 A. And profit. 2 Q. Understood. Focusing on the expense part of the 3 profits. 4 A. Again, I have no -- I have no evidence that there 5 was expense savings. I have -- in the data that I 6 reviewed and the discussions that I had with Chubb 7 employees, which ... 8 Q. Would you agree with me that in assessing 9 profitability of -- in assessing profitability -- 10 strike that. 11 Would you agree -- you did agree with me 12 that profits is essentially revenue minus 13 expenses; correct? 14 A. Correct. 15 Q. I just don't understand how you can have an 16 opinion on profitability when you undertook no 17 study about the expenses. 18 A. My -- my opinion is it's not the technology that 19 drives the profits. It's -- it's everything 20 involved in running the business, and to be to 21 able to point to a particular technology to drive 22 profits, you can't do it. 23 Q. But expenses in part drive profits; correct? 24 A. I'm sorry? 25 MS. JANUS: This is asked and answered</p>

<p style="text-align: right;">Page 126</p> <p>1 several times now. So, I mean, at a certain 2 point, you're going to have to move on, but -- 3 because this is the third time you've gone through 4 this line of questions, but go ahead. 5 If you have something to add or -- I 6 understand you're trying to understand, but it's 7 the same question over and over. You're not 8 getting the answer you want, or whatever, but we 9 do have to move on. 10 MS. KLIEBENSTEIN: Could you -- I had a 11 question. What was that? 12 (Whereupon the material was read by the 13 shorthand reporter.) 14 MS. JANUS: Same objection. Asked and 15 answered. 16 THE WITNESS: I have no evidence that the 17 technology drove additional profit, either 18 increased it or decreased it. 19 BY MS. KLIEBENSTEIN: 20 Q. Right. That wasn't my question though. My 21 question was: Expenses in part drive profits? 22 MS. JANUS: Same objection. Asked and 23 answered several times. 24 THE WITNESS: Expenses in parts drive 25 profits? That was your question?</p>	<p style="text-align: right;">Page 128</p> <p>1 have to be provided by the client, and the client 2 has all the knowledge of the -- the rules. 3 So -- and I looked on the website. I 4 didn't see any insurance-specific rules being 5 provided by FICO. 6 (Whereupon material was marked for 7 identification as Exhibit 451.) 8 BY MS. KLIEBENSTEIN: 9 Q. Handed you what's been marked as Exhibit 451. 10 Looking at Footnote 9 -- 11 A. Um-hm. 12 Q. -- can we walk through the Ivey deposition where 13 you cited it, and can you explain to me where the 14 passages support your opinion? 15 A. 23, 25. The -- 8 was the out of the box passages; 16 right? 17 Q. Um-hm. I'm asking about Footnote 9. 18 A. I'm sorry? 19 Q. I'm asking about the statement, "FICO did not 20 provide Federal any insurance business rules." 21 A. 23, 23. When Chubb purchased Blaze, Blaze did not 22 come with a set of rules that Chubb could use to 23 -- in its business, correct, and the answer was 24 correct. 25 Q. Now, looking at Page 24 of the Ivey deposition --</p>
<p style="text-align: right;">Page 127</p> <p>1 BY MS. KLIEBENSTEIN: 2 Q. Um-hm. 3 A. I don't understand your question. 4 Q. So if you have \$10 in revenue -- 5 A. Um-hm. 6 Q. -- and you have \$7 in expense, your profit is 7 what? 8 A. \$3. 9 Q. \$3. If you have \$10 -- \$10 in revenue and \$6 in 10 expense, your profit is what? 11 A. \$4. 12 Q. So in that hypothetical, fewer expenses led to 13 higher profits; correct? 14 A. Yes, but those -- yes. 15 Q. So that -- that was the predicate for my question, 16 that expenses -- you would agree that expenses in 17 part drive profit? 18 A. Yes. 19 Q. Paragraph 26. What is your support for this 20 paragraph? 21 A. Chris Ivey, and several other depositions, talked 22 about Federal had to provide all of the rules for 23 conducting its business that were loaded into 24 Blaze, and Chris Ivey basically said out of the 25 box it doesn't have insurance rules, that those</p>	<p style="text-align: right;">Page 129</p> <p>1 A. Um-hm. 2 Q. -- Lines 1 through 8 -- 3 A. Um-hm. 4 Q. -- the question was, "Any rules that would 5 ultimately be used by Blaze would be developed by 6 Chubb ultimately; correct?" Answer, "Not 7 necessarily, but the business knowledge would come 8 from Chubb, but the development of the rules may 9 be a blend of the rules that would have come from 10 Chubb as well as sort of the main knowledge that 11 we would have brought with the implementation." 12 A. Um-hm. 13 Q. Did you consider that passage in the preparation 14 of your opinions? 15 A. I did, and the domain that was referenced was 16 rules management domain, not insurance domain. 17 Because he had already stated they didn't have 18 insurance knowledge, they didn't have insurance 19 rules, and I assumed that the -- the domain 20 knowledge they brought to the table was their 21 expertise in business rules management. 22 Q. Did you ask anyone at Federal whether FICO 23 provided any business -- any -- any business rules 24 to Federal? 25 A. I did. I did. Henry Miroluz in the discussion</p>

Page 130

1 with him I confirmed what I had been reading that
 2 FICO or Federal developed all of their business
 3 rules, or had developed, had someone develop them
 4 for them.
 5 Q. Did you -- are you aware that the -- the parties
 6 engaged in professional services, statements of
 7 work for a number of years after 2006?
 8 A. I am.
 9 Q. Did you review those statements of work?
 10 A. I reviewed some of them, not all of them.
 11 Q. Do you know which ones?
 12 A. No. I don't recall which exact ones.
 13 Q. In developing your opinions, did you consider the
 14 value of the professional service provided by FICO
 15 to Federal with regard to implementation of Blaze
 16 Advisor?
 17 A. I assumed Federal paid them as their agent to --
 18 to implement it because they had more knowledge
 19 about it initially on how to implement the -- the
 20 technology than -- than Federal did. So they used
 21 them as a contracting service to implement -- to
 22 train them on how to do it, and to ultimately
 23 implement it.
 24 Q. And did you review the -- do you have any opinion
 25 as to who owned the result of that -- that work

Page 131

1 together between FICO and Federal?
 2 A. My -- my opinion would be that Federal owns any
 3 derivative works from the product.
 4 Q. Did you confirm that with a -- a review of the
 5 statements of work?
 6 A. I did not.
 7 Q. And why not?
 8 A. I wasn't looking at the IP ownership issue. I was
 9 looking at the use of Blaze.
 10 Q. Would it change your opinions in any way if you
 11 learned that FICO did own the results of those
 12 deliverables and those professional service
 13 engagements?
 14 MS. JANUS: Object to the form of the
 15 question. Misstates the record.
 16 THE WITNESS: I don't think it would change
 17 my opinion because the data -- the insurance
 18 knowledge came from Federal, not from FICO, but my
 19 assumptions would be Federal owns it.
 20 BY MS. KLIEBENSTEIN:
 21 Q. Understood. Setting aside the knowledge for one
 22 minute and focusing on just the rules, would it
 23 change your opinion at all if -- if you learned
 24 that FICO owned any of the rules?
 25 A. The -- the rules are the knowledge. So I can't

Page 132

1 set the -- the knowledge aside. The rules are the
 2 knowledge of the business.
 3 Q. The rules are the expression of that knowledge;
 4 correct?
 5 A. I guess. Depends on how you're using expression,
 6 but the rules -- the rules that were developed
 7 were put into the FICO language, but they are
 8 Federal's rules and data that run their business.
 9 Q. Have you --
 10 A. And they own it.
 11 Q. I apologize. Have you -- I asked that question.
 12 Was Mr. Mirolyuz involved in every implementation
 13 of Blaze into each application?
 14 A. I -- I don't think he was. No.
 15 Q. And he -- Mr. Mirolyuz, besides the Ivey
 16 deposition is your -- is your support for
 17 Paragraph 26; correct?
 18 A. Yes, but also had interviews with Ramesh and
 19 Claudio, and they confirmed that Federal generated
 20 all the rules that were loaded into Blaze. I
 21 guess I could have cited those there.
 22 Q. So Claudio, Ramesh, and Henry Mirolyuz, and the
 23 Ivey transcript is that the -- the basis for your
 24 support?
 25 A. That's what I recall. Yeah.

Page 133

1 Q. In the second to last sentence, your report says,
 2 "Blaze is analogous to an Excel spreadsheet that
 3 must be loaded with data and the rules in order to
 4 generate output."
 5 Is it your contention -- is it your opinion
 6 that Federal could simply substitute Blaze, or
 7 could have in 2006, with Excel and achieve the
 8 same results?
 9 A. Excel was not a rules engine, but it was similar
 10 in the -- in the form that you had to put data in
 11 it, run calculations, and produce data out of it.
 12 Q. And my question was: Is it your opinion that
 13 Federal could have simply used Excel instead of
 14 Blaze in each one of these applications and
 15 achieve the same results?
 16 A. I don't know what result -- I don't have the
 17 evidence of the results achieved. So could they
 18 have used Excel for certain function -- rules
 19 functionality? Yes. Whether -- whether it would
 20 have provided the same or a different result, I
 21 have -- I don't know.
 22 Q. Let's move to Paragraph 40.
 23 A. Did you say 40?
 24 Q. I did. In Paragraph 40, what is your evidentiary
 25 support?

Page 134

1 A. It's -- it's my experience in the insurance
 2 industry I've worked with many insurance companies
 3 over the years. They all measure combined ratio
 4 pretty much the same way.
 5 Q. Did you confirm that Federal calculates combined
 6 ratio the same way?
 7 A. Based on this definition, yes.
 8 Q. How did you confirm that Federal calculates
 9 combined ratio the same way?
 10 A. I asked during the calls -- one of the calls.
 11 Q. You don't recall which one?
 12 THE WITNESS: Yup?
 13 MS. JANUS: Can we table that and talk
 14 about it at our next break just so I can
 15 understand what's going on? Or do you want us to
 16 -- can we take a moment to talk now if you want to
 17 continue?
 18 BY MS. KLIEBENSTEIN:
 19 Q. Are you concerned that answering the question will
 20 -- will review -- will reveal attorney-client
 21 privilege?
 22 A. It's privileged. Yes.
 23 Q. So the phone call involved -- did not involve a
 24 Federal employee, it was a call with just lawyers?
 25 A. It did -- it did involve Federal employee.

Page 135

1 MS. KLIEBENSTEIN: Then I --
 2 MS. JANUS: I need to have a conversation
 3 with him to just understand what the situation --
 4 it's fine, you don't need to say anything more
 5 about it, but I think we just need to have a short
 6 conversation. We can do that now Heather, or we
 7 can do it at our next break. It's up to you.
 8 BY MS. KLIEBENSTEIN:
 9 Q. So the question was: Do you remember which call?
 10 A. Yes.
 11 Q. And who was in attendance on that call?
 12 A. External counsel.
 13 Q. Um-hm.
 14 A. Internal counsel.
 15 Q. So was it -- was it Mr. Murphy that provided you
 16 with this factual information?
 17 MS. JANUS: Let's table that for now. I'm
 18 going to object to that, and I've -- I've asked
 19 now several times. I'd like to be able to have a
 20 conversation with the witness to assess the
 21 privilege situation and then be able to form a
 22 final conclusion on whether there's privilege. I
 23 just can't do it sitting here right now without
 24 having an opportunity to talk with him.
 25 MS. KLIEBENSTEIN: I'll just keep asking

Page 136

1 questions.
 2 BY MS. KLIEBENSTEIN:
 3 Q. So is the concept of combined ratio just a
 4 different way to present profitability?
 5 A. It's the way the insurance company requires you to
 6 report profitability.
 7 Q. And so --
 8 A. On an indirect basis.
 9 Q. -- anything under 100 percent reflects a profit,
 10 and anything over a hundred percent reflects a
 11 loss?
 12 A. Loss. Correct.
 13 Q. And at Federal, do you know if this combined ratio
 14 includes all gross written premium dollars and all
 15 company expenses?
 16 A. It would include earned premium dollars.
 17 Q. And what expenses?
 18 A. It would include loss expenses as well as internal
 19 and external expense.
 20 Q. And what are internal expenses?
 21 A. People, buildings, equipment. Things like that.
 22 Q. What's an external expense?
 23 A. Commission, premium tax to the government. Stuff
 24 that they have to pay to do business.
 25 Q. And did you confirm that those are -- those

Page 137

1 expenses are included in the Federal combined
 2 ratio expenses?
 3 A. Yes. By looking at their annual report.
 4 Q. Looking at 41 --
 5 A. Um-hm.
 6 Q. -- what's the basis for your opinion in 41?
 7 A. My experience in the insurance industry as a
 8 senior executive at Allianz.
 9 Q. The last sentence says, "Federal improves its
 10 combined ratio by adjusting premium rates and
 11 reducing expenses." Did you confirm that
 12 statement with anyone at Federal?
 13 A. I saw evidence of that in a lot of documents that
 14 I read. I don't remember specifically asking that
 15 question directly.
 16 Q. Did you identify -- can you remember which
 17 documents you saw that in?
 18 A. Rates and rules. I'd have to -- I don't -- I
 19 don't know. I'd have to look at the case
 20 documents again.
 21 Q. Can you explain to me how reducing expenses
 22 improves a combined ratio?
 23 A. Less money paid out.
 24 Q. Could you flush that out a little bit more for the
 25 record? Less money paid out what?

35 (Pages 134 - 137)

<p style="text-align: right;">Page 138</p> <p>1 A. For claims or external expenses or internal 2 expenses. So reducing the expense improves the 3 profitability of the business. 4 Q. In Paragraph 43, you state, "FICO and the software 5 Blaze has no involvement," -- "involvement in the 6 development and implementation of Federal's growth 7 strategies." What is your support for that 8 statement? 9 A. I looked at the annual report, the growth 10 strategies, and it talks about their focus on 11 markets their focus on products. It doesn't 12 highlight that -- that FICO provided any input 13 into that, or Blaze provided any input to those 14 growth strategies, and I think in a -- a 15 conversation I confirmed that, that FICO wasn't 16 consulted on for the growth strategies. 17 Q. You would agree with me though that in the 2018 18 annual report we just looked at technology was 19 featured as a growth strategy; correct? 20 A. Technology. It didn't say Blaze. There's a lot 21 of technologies at Federal, significant amount. 22 Q. Looking at -- moving into Paragraph 44, 44 through 23 50 -- 24 A. Um-hm. 25 Q. -- what is your support for Paragraphs 44 through</p>	<p style="text-align: right;">Page 140</p> <p>1 recall a conversation on product. No. I can't 2 say that I spoke to a product manager, and on 3 compliance, I did speak with compliance folks. 4 That was part of my conversation with Ellen and 5 Helen. 6 Q. So you spoke to underwriters, and you spoke to 7 some compliance managers? 8 A. Correct. 9 Q. Did they provide you with the content for 10 Paragraphs 47 through 49? 11 A. They -- they confirmed what I wrote in a 12 conversation. 13 Q. So the actuaries at Federal -- do you know how 14 many actuaries Federal employs? 15 A. I do not know the number. 16 Q. So you don't know what percentage of the 35,000 17 people are actuaries? 18 A. I do not know that number. 19 Q. For each of these groups, product managers, 20 underwriters, compliance managers, claims 21 managers, do you know the relative percentage of 22 employees of those 35,000 people that those groups 23 of employees are? 24 A. I do not. 25 Q. Do you know how many Federal employees fall</p>
<p style="text-align: right;">Page 139</p> <p>1 50? 2 A. It's my expertise in the insurance marketplace. 3 Q. And Paragraph 45 you discuss actuaries? 4 A. Um-hm. 5 Q. Did you confirm with anyone at Federal that these 6 statements apply -- these statements in Paragraph 7 45 apply to actuaries at Federal? 8 A. I did not speak to a Federal actuary, but in order 9 for them to conduct business in this market, they 10 have to have actuaries that do these 11 functionalities. 12 Q. And the same question for -- I'll try to group 13 this all together. The same question for product 14 managers starting on Paragraph 46, underwriters, 15 compliance managers, and claims managers, you 16 provide several opinions about what each of those 17 groups of people do. 18 Did you confirm with anyone at Federal that 19 at Federal these groups of employees perform the 20 functions set forth in your report? 21 A. So on underwriters, yes. I didn't on claims 22 because it's not used in claims, it's used by 23 actuaries based on the latest information, and 24 product managers I didn't -- let me -- let me look 25 at the team to make sure. I kind of vaguely</p>	<p style="text-align: right;">Page 141</p> <p>1 outside of those categories? 2 A. I do not. 3 Q. Taking the actuaries, do any of the -- based on 4 your experience, do any of the -- the functions 5 that actuaries perform does that impact revenue in 6 any way at an insurance company? 7 A. Yes. 8 Q. In what way? 9 A. Actuaries determine the price that you're going to 10 pay for a coverage. 11 Q. So how does that impact -- how could that 12 potentially impact revenue? 13 A. If they set the price correctly, then they will 14 get revenue. If they set the price incorrectly, 15 they may lose revenue, or have losses. 16 Q. Moving to product managers, taking the job duties 17 of product managers, based on your experience, how 18 do product managers impact revenue? 19 A. They develop new products or adjust existing 20 products to reflect the market conditions and 21 needs. 22 Q. And how does that function impact revenue? 23 A. They can grow revenue from product -- new product 24 introduction, or they can adjust revenue on 25 existing products based on new features and</p>

<p style="text-align: right;">Page 142</p> <p>1 functions.</p> <p>2 Q. And moving to underwriters, how do -- how do</p> <p>3 underwriters performing their job duties affect</p> <p>4 revenue?</p> <p>5 A. They understand the level of risk that needs to be</p> <p>6 taken on an existing product, or coverage. They</p> <p>7 decide what policies to accept, which ones to</p> <p>8 reject based on their judgment, their experience.</p> <p>9 Q. And how does that impact revenue?</p> <p>10 A. It can reduce revenue, or it can increase revenue</p> <p>11 depending on decisions they make.</p> <p>12 Q. So if an underwriter makes a good decision, that</p> <p>13 increases revenue. If an underwriter makes a bad</p> <p>14 decision, that decreases revenue?</p> <p>15 A. Or loss, or increases loss.</p> <p>16 Q. And loss is considered an expense; correct?</p> <p>17 A. A loss expense. Correct.</p> <p>18 Q. And what about compliance managers; how do</p> <p>19 compliance managers affect revenue at Federal?</p> <p>20 A. They insure that the products being sold are in</p> <p>21 compliance with regulation.</p> <p>22 Q. And how does that affect revenue?</p> <p>23 A. If it's not in compliance, it would probably not</p> <p>24 affect revenue, it would affect expense through</p> <p>25 fines for being out of compliance.</p>	<p style="text-align: right;">Page 144</p> <p>1 does it help improve employee workload?</p> <p>2 A. Handle more volume. Handle only things that they</p> <p>3 want to see.</p> <p>4 Q. Can you flip to Paragraph 132 of your report.</p> <p>5 There's nine bullets in Paragraph 132. Are those</p> <p>6 are those examples of improving the employee</p> <p>7 workload?</p> <p>8 A. Agents and brokers are not part of the company,</p> <p>9 but generally speaking, these are efficiencies</p> <p>10 that -- that I would -- that would help them do</p> <p>11 their workload better. I would -- I would take</p> <p>12 exception though with improving the accuracy of</p> <p>13 underwriters.</p> <p>14 Q. Why?</p> <p>15 A. Because it's the underwriter that puts in the</p> <p>16 rule. How can it improve it if they put in a bad</p> <p>17 rule?</p> <p>18 Q. I'm -- I'm confused as to why you called that one</p> <p>19 out in particular. Maybe flush that out a little</p> <p>20 bit more for me.</p> <p>21 A. In all these cases, the rules are loaded in there</p> <p>22 have a -- the accuracy of a rule versus the time</p> <p>23 and speed of a rule is two different things.</p> <p>24 I agree with the time and speed. I'm not</p> <p>25 necessarily agreeing with the accuracy and</p>
<p style="text-align: right;">Page 143</p> <p>1 Q. And claims managers; how do claims managers affect</p> <p>2 revenue at Federal?</p> <p>3 A. They don't have a direct effect on revenue. They</p> <p>4 have a -- more of an indirect approach. They</p> <p>5 effect claims expense or loss expense, and they</p> <p>6 feed back those loss expenses and criteria back to</p> <p>7 the actuaries so the actuaries can adjust pricing.</p> <p>8 That would affect revenue.</p> <p>9 Q. Where do renewals fit in this process? The people</p> <p>10 that manage renewals; what's their title?</p> <p>11 A. It's handled by the underwriters primarily.</p> <p>12 Q. Moving to Paragraph 51 --</p> <p>13 A. Um-hm.</p> <p>14 Q. -- you state, "Automation helps improve the</p> <p>15 employee workload."</p> <p>16 A. Um-hm.</p> <p>17 Q. Why is -- why is that opinion in this report,</p> <p>18 while automation helps -- why are you addressing</p> <p>19 automation in this paragraph?</p> <p>20 A. We -- the whole purpose behind the rules</p> <p>21 management is a efficiency on automation of rules.</p> <p>22 Q. Okay. So you state, "While automation helps</p> <p>23 improve the employee workload," --</p> <p>24 A. Um-hm.</p> <p>25 Q. Can you flush that out a little bit for me? How</p>	<p style="text-align: right;">Page 145</p> <p>1 precision comment because those are -- those are</p> <p>2 human judgment made. You know, volumes are one</p> <p>3 thing, but the quality of the rule is a human</p> <p>4 decision, not a technology decision.</p> <p>5 Q. Well, quality and accuracy are two different --</p> <p>6 two different things; right?</p> <p>7 We don't have an answer to that question</p> <p>8 yet. The question was quality and accuracy are</p> <p>9 two different things; right?</p> <p>10 A. I think they are related.</p> <p>11 (Whereupon material was marked for</p> <p>12 identification as Exhibit 452.)</p> <p>13 BY MS. KLIEBENSTEIN:</p> <p>14 Q. I'm handing you what's been marked as Exhibit 452.</p> <p>15 A. Yup.</p> <p>16 Q. Are you familiar with this document?</p> <p>17 A. I've seen this. Yes.</p> <p>18 Q. When you mentioned quality versus accuracy, Pages</p> <p>19 4 and 5 of this presentation jump out at me as</p> <p>20 illustrative of quality versus accuracy.</p> <p>21 So on Page 4, the picture shown is showing</p> <p>22 an accurate decision -- no, yeah, an accurate</p> <p>23 decision but not a quality decision; correct?</p> <p>24 A. I wouldn't relate accuracy and quality. It hit</p> <p>25 something, but it didn't hit the mark is -- but</p>

<p style="text-align: right;">Page 146</p> <p>1 it's the underwriter that did -- did this, not the</p> <p>2 technology that did this.</p> <p>3 Q. It's the underwriter that did what?</p> <p>4 A. That made the decision, that shot the arrow, not</p> <p>5 the --</p> <p>6 Q. Right.</p> <p>7 A. Not the technology. So again, I -- I disagree</p> <p>8 that the accuracy precision is -- is a efficiency</p> <p>9 play because it's whatever the human judgment puts</p> <p>10 in it.</p> <p>11 Volumes I can -- you can handle more volume</p> <p>12 of bad stuff, that's fine, and time -- time-wise</p> <p>13 but when it comes to accuracy, it's all about</p> <p>14 putting in the right information to get the right</p> <p>15 answer out.</p> <p>16 Q. Putting in the right information consistently time</p> <p>17 over time; correct?</p> <p>18 A. Initially.</p> <p>19 Q. You would -- you would agree with that; correct?</p> <p>20 MS. JANUS: Objection. Asked and answered.</p> <p>21 THE WITNESS: No. Initially. I mean ...</p> <p>22 BY MS. KLIEBENSTEIN:</p> <p>23 Q. So let's take a scenario where you've got ten</p> <p>24 underwriters, and Federal has more than ten;</p> <p>25 right?</p>	<p style="text-align: right;">Page 148</p> <p>1 underwriters at Federal have the same quality of</p> <p>2 workmanship?</p> <p>3 A. I don't know that one way or another.</p> <p>4 Q. And isn't it possible that some of those</p> <p>5 underwriters more accurately judge risk than</p> <p>6 others?</p> <p>7 A. Their judgment -- some are -- have better judgment</p> <p>8 than others. Yes.</p> <p>9 Q. And isn't that one of the benefits of business</p> <p>10 rules management software automation is to</p> <p>11 standardize the underwriting process so that the</p> <p>12 overall quality of the risk assessment is better?</p> <p>13 A. That's -- that's part of the people, the process,</p> <p>14 and the technology to be more consistent in your</p> <p>15 underwriting.</p> <p>16 Q. And the people are a part of that?</p> <p>17 A. They are the most important part of it.</p> <p>18 Q. But the technology is part of it too. Because</p> <p>19 without the rules engine, you couldn't automate</p> <p>20 the process; right?</p> <p>21 A. Insurance has been done for 400 years, and they</p> <p>22 have made money without technology, but -- but it</p> <p>23 improves their workload. Absolutely.</p> <p>24 Q. You just mentioned that insurance companies have</p> <p>25 made money for how many thousands of years?</p>
<p style="text-align: right;">Page 147</p> <p>1 A. I'm sure they do.</p> <p>2 Q. Probably more than --</p> <p>3 A. Hundreds, thousands.</p> <p>4 Q. Thousands of people. Is it your opinion that all</p> <p>5 thousands of those underwriters have the exact</p> <p>6 same skill when it comes to underwriting?</p> <p>7 A. No. They are focused on their product lines, and</p> <p>8 their markets, and so no.</p> <p>9 Q. Would you agree that some of them are probably</p> <p>10 better than others at underwriting?</p> <p>11 MS. JANUS: Objection. Calls for</p> <p>12 speculation. Lacks foundation.</p> <p>13 THE WITNESS: They are all in the business</p> <p>14 of underwriting risk. They should know the risk</p> <p>15 that they are underwriting.</p> <p>16 BY MS. KLIEBENSTEIN:</p> <p>17 Q. But you don't know if all several thousands of</p> <p>18 those underwriters at Federal are of the same</p> <p>19 quality in workmanship; correct?</p> <p>20 A. Every company has junior underwriters, senior</p> <p>21 underwriters, and the role they are giving is</p> <p>22 based on their experience. That's -- that's just</p> <p>23 the nature of the business.</p> <p>24 Q. My question was different than that. You don't</p> <p>25 know one way or the other if all of the</p>	<p style="text-align: right;">Page 149</p> <p>1 A. 400 years.</p> <p>2 Q. 400 years. Only 400?</p> <p>3 A. Been in the industry since 400.</p> <p>4 Q. Only since the dawn of the evolution.</p> <p>5 A. I was just a little boy then.</p> <p>6 Q. And it was all done by hand back then; right?</p> <p>7 A. Oh sure.</p> <p>8 Q. Right, but that's not the way today's marketplace</p> <p>9 works; correct?</p> <p>10 A. No.</p> <p>11 Q. These companies employ technologies, like business</p> <p>12 roles management software, to help make the</p> <p>13 decisions within the company; correct?</p> <p>14 A. Some do, some don't. There are still many</p> <p>15 insurance companies that have embedded rules in</p> <p>16 their applications, they don't use business rules</p> <p>17 management systems.</p> <p>18 Q. Companies that are -- I think I saw Tier I</p> <p>19 mentioned in your report. Companies that are not</p> <p>20 Tier I?</p> <p>21 A. Sure.</p> <p>22 Q. Which ones?</p> <p>23 A. Take Fireman's Fund. It was a \$5 billion dollar</p> <p>24 organization. They had 11 policy systems. Half</p> <p>25 -- more than half the policy systems had embedded</p>

Page 150

1 rules.

2 Q. And during what year?

3 A. Well, this was during my employment with them. So

4 six years beginning in, like, '96 through 2002,

5 but honestly that's kept on. There are still

6 companies today that you're selling, you know, I'm

7 assuming FICO sells rules engine and companies

8 that don't have rules engine right now.

9 Q. Do you know if Fireman's Fund uses any business

10 rules management software today?

11 A. I assume they still use iLog system. I don't

12 know.

13 Q. You don't know one way or the other?

14 A. Yeah.

15 Q. We'll come back to 452.

16 A. Okay.

17 Q. Paragraph 52, the first sentence, "Federal's

18 organization is complex and large and made up of

19 insurance experts that make all the business rules

20 and decisions relative to its business

21 operations."

22 A. Correct.

23 Q. What's your support for that statement?

24 A. My -- my research into Chubb, and the

25 organization, and the products they sell, and the

Page 151

1 way insurance companies operate.

2 Q. And you've cited -- you cited Page 13 of this

3 PowerPoint presentation; is that correct?

4 A. Which one? Where are you at? On 52?

5 Q. 450 -- Paragraph 52 --

6 A. Yup.

7 Q. Footnote 18.

8 A. Yup.

9 Q. Which is the PowerPoint --

10 A. Same PowerPoint.

11 Q. -- in Exhibit 452.

12 A. Yup. That was Page 13, Page 13.

13 Q. Can you point out for me the cited support for

14 that statement?

15 A. Yeah. Right -- in the -- all companies have

16 business rules, and lines of computer code, and

17 policy manuals, and memos in the minds of

18 experience employees, and this whole section was

19 talking about the employees at insurance company

20 like Chubb -- or Federal rather.

21 Q. And is this PowerPoint presentation -- who

22 authored this PowerPoint presentation? Do you

23 know?

24 A. I know that it's a mix of Chubb and -- or Federal

25 and FICO because some of the slides appear in FICO

Page 152

1 documents and some of the slides appear in Federal

2 documents. So it was kind of -- and I did -- and

3 I'm trying to remember whether I read this in a

4 deposition or I -- I spoke with somebody directly.

5 I couldn't discern because it wasn't marked as a

6 Federal or Chubb document whether it was one or

7 the other.

8 Q. Well, it's got at the bottom a -- a Federal

9 production number.

10 A. Yeah. I just assumed that they -- Federal gave --

11 produced the document, but the content of the

12 document came from multiple sources.

13 Q. Do you know what the purpose of the document is?

14 A. It's a primer, educate people, and according to

15 the deposition I read with Henry, it was used to

16 educate internal Federal employees on -- that

17 would be touching the rules management.

18 Q. And educate them for what purpose?

19 A. On what -- you know, what is a rules engine, and

20 what is -- who is Fair Isaac, and ...

21 Q. So turning to Slide 6, this slide is discussing

22 enterprise decision management. Do you see that?

23 A. Um-hm.

24 Q. And Blaze Advisor is a form of enterprise decision

25 management; correct?

Page 153

1 A. It's a tool that supports enterprise decision

2 management I guess. I mean, it's separated on --

3 for a reason, for enterprise rules management. In

4 looking at FICO's product, decision management was

5 a separate offering.

6 Q. Move to Slide 11.

7 A. Um-hm.

8 Q. This slide talks about Blaze Advisor specifically;

9 correct?

10 A. It appears to. Yes.

11 Q. Did you discuss this page with Mr. Mirolyuz?

12 A. I did not.

13 Q. Now, you see over in the callout box on the right,

14 "Improve agility, make changes quickly without

15 programming, integrate models to accurately

16 segment customers, and give business units," --

17 "users control." Do you see that?

18 A. I see that. Yeah.

19 Q. Would you agree with me that those are some of the

20 listed benefits of using Blaze Advisor?

21 A. Yeah. It shows up on multiple marketing slides.

22 Q. But do you have any opinion one way or the other

23 about -- well, let's just take them one by one.

24 Improve agility. Do you understand what

25 that means in the insurance context?

Page 154

1 A. In the -- absolutely.
 2 Q. What does it mean in the insurance context?
 3 A. To me, it's the ability to dynamically change
 4 things quickly, be able to be agile to move when
 5 the market moves.
 6 Q. And what's -- what's the benefit of improving
 7 agility, the business benefit of improving agility
 8 in the insurance field?
 9 A. To provide what the customer is looking for.
 10 Q. Whether it's a -- whether that's a new product, or
 11 a different price; is that right?
 12 A. Or different coverage.
 13 Q. And the point is to increase revenue; correct?
 14 A. Every business is looking to increase revenue.
 15 Q. So the answer is yes; the point of improving
 16 agility in the insurance context is to improve
 17 revenue?
 18 A. Not always, but if I make a quick move, I might
 19 lose money and lose revenue. So I don't want to
 20 -- I can't -- I would not say agility always
 21 contributes to revenue. It may not.
 22 Q. Oh. That -- that wasn't my question. A goal of
 23 improving agility in the insurance question -- in
 24 the insurance industry is to -- let me ask it a
 25 different way.

Page 155

1 At least one goal from improving agility in
 2 the insurance context is to increase revenues;
 3 correct?
 4 A. That's a goal.
 5 Q. So the answer is yes; at least one goal?
 6 A. A goal of -- of anything you do is to increase
 7 revenue, but ...
 8 Q. And the second bullet, make changes quickly
 9 without programming, do you know what -- what
 10 capability that refers to in the insurance
 11 context?
 12 A. Yeah. It's -- it's the reason that Federal
 13 acquired Blaze was to move the rules from the IT
 14 programmers to externalize rules.
 15 Q. And what is the business benefit from doing that?
 16 A. Faster changes to the rules.
 17 Q. And can faster changes to the rules lead to
 18 increased revenue?
 19 MS. JANUS: Object to the form of the
 20 question. Calls for hypothetical. Calls for
 21 speculation. It's vague.
 22 THE WITNESS: Depends on how the rule
 23 changes.
 24 BY MS. KLIEBENSTEIN:
 25 Q. Right. My question was not does it. My question

Page 156

1 was: Being able to make changes quickly can that
 2 lead to increased revenue in the insurance field?
 3 MS. JANUS: Same objections.
 4 THE WITNESS: I would say that any change
 5 made has the potential to affect it or not affect
 6 it. I mean, it just depends on the rule that's
 7 changing and what it's changing to.
 8 BY MS. KLIEBENSTEIN:
 9 Q. Why would an insurance company want the ability to
 10 make changes quickly in the insurance context?
 11 A. Because the -- for competitive reasons, for market
 12 reasons, their -- experience losses, not
 13 necessarily a top line issue but bottom line
 14 issue.
 15 Q. In your answer, you mentioned an insurance company
 16 would want the ability to make changes quickly for
 17 competitive reasons.
 18 A. Um-hm.
 19 Q. Give me an example.
 20 A. Somebody introduced a new product and you want to
 21 get your product to market to compete.
 22 Q. To write more policies and get more gross written
 23 premium; correct?
 24 MS. JANUS: Object to the form of the
 25 question.

Page 157

1 THE WITNESS: Every business wants to grow
 2 its -- grow its revenue and improve its profit.
 3 Every business.
 4 BY MS. KLIEBENSTEIN:
 5 Q. I'm not -- that's sort of an answer to my question
 6 but not really. So the question was: You want to
 7 get your product to market more quickly so that
 8 you can hopefully, don't know for sure, hopefully
 9 write more policies and get more premiums?
 10 A. All of the technology and resources of an
 11 insurance company are focused on trying to sell
 12 more policies and reduce the amount of losses,
 13 claims that they -- they have.
 14 So I don't look at the technology in
 15 isolation. I look at it in -- collectively, all
 16 of the people, process, and technology that are
 17 out there.
 18 Changing a rule might require changes in
 19 other parts of the business at the same time, and
 20 if those changes weren't made, it would have a
 21 negative effect on the business, not a positive
 22 effect on the business.
 23 So trying to take this in isolation is a
 24 no, but take it collectively with all of the
 25 technology, and people, and process that are

Page 158

1 running the business, the answer is yes.

2 Q. And moving to the next bullet, integrate models to

3 accurately segment customers, do you understand

4 what that means in the insurance context?

5 A. In the insurance context you want to segment your

6 customer base, but that's the rules of the

7 company, not the capability of the technology.

8 Q. The last bullet, give business units -- users

9 control, is that any different that the -- in the

10 second bullet?

11 A. It's the inverse; right?

12 Q. Um-hm.

13 MS. JANUS: Do you want to take a break?

14 THE WITNESS: Yeah. If I could take a

15 break real quick.

16 MS. KLIEBENSTEIN: Sure.

17 THE VIDEOGRAPHER: We are going off the

18 record. The time now is 2:25.

19 (Whereupon a short break was taken from

20 2:25 p.m. to 2:38 p.m.)

21 THE VIDEOGRAPHER: We are back on the

22 record. This is the beginning of Media Number 4.

23 The time is 2:37.

24 BY MS. KLIEBENSTEIN:

25 Q. Top of Page 14 of your report.

Page 159

1 A. Um-hm.

2 Q. You state that, "Blaze is not visible to

3 operational employees of Federal and not visible

4 to agents and brokers that interact with Federal

5 employees."

6 A. Correct.

7 Q. How is that statement -- how is that statement

8 relevant to the scope of your assignment in this

9 case?

10 A. How it's used in the -- the business operation. I

11 looked at the -- at the screens that were the UI

12 that supported the applications that are involved

13 here, and the -- the customers, the policyholders,

14 the agents don't know that rules engine set behind

15 there. They don't know that.

16 So it's just in normal course of business

17 they are using the policy, the various AD-MIN

18 systems that -- that Federal provides them, and

19 the rules engines sets behind there.

20 Q. And let's just accept that as true for now.

21 A. Um-hm.

22 Q. How does that fact play into the value of Blaze

23 Advisor with respect to the revenues and profits

24 of Federal?

25 A. Basically Blaze is invisible, and this was

Page 160

1 prompted by the conversation I had with Ellen and

2 Helen that said they didn't even know that -- that

3 Blaze was part of the system that they use on a

4 day-to-day business -- or day-to-day.

5 Q. And in the next paragraph, it ends with, "Blaze is

6 a technology that indirectly supports a small

7 number of over 35,000," --

8 A. Um-hm.

9 Q. "Federal employees." Do you know what -- what the

10 percentage is of employees that interact with

11 Blaze?

12 A. I don't -- I don't have a percentage, but

13 certainly could figure that out quickly.

14 Q. And how would you go about doing that?

15 A. Get -- get a count of the number of people

16 involved in the -- the applications that are used

17 by CSI Express, or -- which is the 80 percent of

18 the usage of Blaze I think. Based on what I read.

19 Q. Looking at the diagram on the top of Page 15 --

20 A. Um-hm.

21 Q. -- where does that diagram come from?

22 A. It's the ID and property casualty business

23 activity model, and I thought I cited it

24 somewhere. I did cite it. It's on the previous

25 page.

Page 161

1 Q. So this is not a diagram of Federal specifically?

2 A. No. It's -- correct. It's an industry model for

3 a property and casualty insurance company.

4 Q. And did you -- is it your opinion that this model

5 applies to Federal?

6 A. Yes.

7 Q. And how -- how did you arrive at that opinion?

8 A. Based on my experience. I was CIO for a global

9 property and casualty company.

10 Q. Paragraphs 55, 56, and 57.

11 A. Um-hm.

12 Q. What is your support for the opinions in those

13 paragraphs?

14 A. Make sure real quick. This is based on my use of

15 the industry model for developing strategy to

16 support the business.

17 Q. So the -- the opinions in Paragraph 56 stem from

18 the IBM model?

19 A. Correct.

20 Q. So you counted nine major business activities in

21 the IBM model?

22 A. Major, major categories. Yeah. Business activity

23 categories.

24 Q. And 59 activity groups?

25 A. Correct.

<p style="text-align: right;">Page 162</p> <p>1 Q. And claims management specifically has 11 activity 2 groups? 3 A. Yeah. As an example. 4 Q. Claims management, and that was counted, again, 5 from the IBM model? 6 A. Correct. 7 Q. And Paragraph 57 has a number of subheadings under 8 each enumerated group. Did those subheadings also 9 come from the IBM activity model? 10 A. They did. 11 Q. And in Paragraph 58, you opine that, "Each work 12 item within an activity group is associated with 13 business rules and decisions that are being made 14 by employees within the Federal business 15 operation." Correct? 16 A. Correct. 17 Q. And what is the support for that opinion? 18 A. Again, the activity model illustrates a property 19 and casualty company and what they have to do on a 20 daily basis to operate, and based on my 21 experience, Federal does all of these activities 22 and work items associated with those activity 23 groups. 24 Q. Did you confirm with anyone at Federal that they 25 do in fact do all of these work items and</p>	<p style="text-align: right;">Page 164</p> <p>1 identification as Exhibit 453.) 2 BY MS. KLIEBENSTEIN: 3 Q. I'm handing you what's been marked as Exhibit 453. 4 Is this the document you were just referring to? 5 A. I believe so. Let me look at the page and I'll 6 tell you for sure. Yes. 7 Q. So tell me what I'm looking at in Slide 11. 8 A. Slide 11 is FICO's interpretation of where Blaze 9 touches the insurance process, business processes. 10 Q. And do you agree or disagree with FICO's 11 interpretation? 12 A. The way they have categorized things I kind of 13 disagree because it's too broad and generic in 14 some cases. 15 For example, underwriting. It doesn't 16 touch every piece of underwriting. So therefore 17 it's -- it's overstating what it does in 18 underwriting, but in the other areas, like product 19 definition, they call that out three times, three 20 different areas, rate maintenance, and where Chubb 21 -- Federal is using it in product management 22 mostly in rate development and maintenance. So 23 things like that. 24 Q. You mentioned rate maintenance. Where can I find 25 that on Slide 11?</p>
<p style="text-align: right;">Page 163</p> <p>1 activities? 2 A. No I did not. I did not. 3 Q. And did you confirm with anyone from Federal that 4 in fact each work item within an activity group is 5 associated with business rules and decisions made 6 by employees within the Federal business 7 operation? 8 A. No. 9 Q. Can you tell me what the red dots are? 10 A. Yeah. They are my interpretation of where Blaze 11 is touching those categories. 12 Q. And did you confirm with anyone at Federal that 13 your interpretation was correct? 14 A. Yes, and we compared it to the FICO chart, and 15 there are different charts. So there was 16 questions about whether they applied, but in my 17 opinion, this is where they applied in this model. 18 Q. What's the FICO chart? 19 A. FICO provided a chart that shows where Blaze 20 touches an insurance process. It's a very generic 21 chart as well. 22 Q. Can you identify that document in your report? 23 A. I did. Give me a moment. I don't remember what 24 the number was. Oh. It's 17111. 25 (Whereupon material was marked for</p>	<p style="text-align: right;">Page 165</p> <p>1 A. It's not -- it's not on Slide 11. You know, I 2 guess they include it under Number 5, which is 3 pricing and rating, but that's over -- again, 4 overstating where it actually touches this from a 5 Federal point of view (indicating). 6 Q. And your position is that it -- Blaze only touches 7 rate maintenance; is that right? 8 A. Rate development and maintenance as part of 9 product management. Yeah. 10 Q. So in your report, you went through and identified 11 -- you took that information from Slide 11 and 12 then tried to fit it in where it would fit within 13 the IBM model? 14 A. No. I -- I took the applications and the 15 functions, the applications we're using, and I 16 overlaid that onto this model. 17 Q. Okay. 18 A. Which is different than what FICO shows in Slide 19 11. Because they also show it's claims 20 adjudication, and it's not being used for claims 21 adjudication within Federal. 22 At the bottom of that chart, on Page 11, it 23 shows utility functions as opposed to work groups 24 in the -- or categories in the business activity 25 model. So ... it's not a one-to-one correlation.</p>

Page 166

1 Q. At the bottom of Paragraph 59 --

2 A. Um-hm.

3 Q. -- you conclude that, "Blaze is not a significant

4 part of Federal's business activities based on my

5 review of the use of Blaze."

6 A. Correct.

7 Q. And how do you define Federal's business

8 activities?

9 A. Based on this model. They have to do all of this

10 in order to do the business. If you look at where

11 they touch the processes, it's not significant.

12 Q. So to drill that down a little bit better for the

13 record, the business activities you're referring

14 to in Paragraph 59 are those that are outlined in

15 Paragraph 57?

16 A. 57? Yes.

17 Q. And what is the basis for that opinion?

18 A. Based on what a property and casualty insurance

19 company has to do, Blaze touches a small number of

20 the processes that are involved in conducting the

21 day-to-day operation of the business.

22 Q. So numerically speaking, Blaze touches a small

23 number of Federal business activities; is that

24 your opinion?

25 A. Correct.

Page 167

1 Q. So that -- that's a quantitative analysis; would

2 you agree?

3 A. Um-hm.

4 Q. Did you undertake any effort to make a qualitative

5 analysis?

6 A. Well, I didn't weigh each business activity

7 against the others.

8 Q. In Paragraph 56, you state in your report -- I'm

9 sorry, 60, Paragraph 60.

10 A. Okay.

11 Q. You state, "It is difficult to measure any

12 efficiencies that Blaze may have provided to

13 Federal's business activity."

14 A. Yes.

15 Q. And why is that? What's the basis for that

16 opinion?

17 A. There was -- there was no methodology, there was

18 no benchmarking, there was nothing done, and as a

19 matter of fact, I don't know that it did create

20 any efficiencies. I don't -- I don't think it

21 contributed significantly to the efficiency.

22 Q. And what's the basis for that statement, that

23 Blaze Advisor did not contribute significantly to

24 efficiencies?

25 A. Based on how I'm seeing it used within the

Page 168

1 business processes of Federal.

2 Q. But you did not undertake any effort to measure

3 the efficiencies; correct?

4 A. Yeah. Nor did anyone set benchmarks to provide

5 the efficiencies.

6 Q. And the reason there was no -- there were no

7 benchmarks available for you was a result of how

8 the request for the technology came in as a -- as

9 an expense instead of a revenue generation tool?

10 MS. JANUS: Object to the form of the

11 question. Misstates the record, and the

12 testimony.

13 THE WITNESS: Would you ask your question

14 again?

15 MS. KLIEBENSTEIN: Sure.

16 BY MS. KLIEBENSTEIN:

17 Q. Why do you think -- you just told me that you were

18 unable to measure specifically any efficiencies

19 because there wasn't enough documentation to help

20 you do that; correct?

21 A. That's part of it, but you know, there are so many

22 variables to determining the efficiency of

23 technology in an organization. Then there's the

24 people, the process, who is using it, the market.

25 There's a significant amount of activity to

Page 169

1 measure. Most of the time, it's subjective, not

2 objective.

3 Q. So you wouldn't be able to quantify whether the

4 saved expenses were zero dollars or a billion from

5 use of Blaze Advisor; right?

6 MS. JANUS: Object to the form of the

7 question. Misstates the evidence, the testimony,

8 and I object to the premise of the question.

9 THE WITNESS: It would -- I would not be

10 able to -- definitely would not be on the higher

11 end of your -- your range, and I don't believe you

12 can tie the efficiencies directly to Blaze.

13 BY MS. KLIEBENSTEIN:

14 Q. And when you make that statement, can't tie

15 efficiencies directly to Blaze, what efficiencies

16 are you referring to?

17 A. The efficiencies that the marketing material

18 claims; time to market, reduction in speed to

19 market.

20 Q. Let's move to Paragraph 61. An example of Federal

21 -- an example of how Federal uses Blaze is in rate

22 development and maintenance.

23 A. Yup.

24 Q. Can you summarize that business activity for me;

25 rate development and maintenance?

<p style="text-align: right;">Page 170</p> <p>1 A. Sure. It's -- it's basically around the actuaries 2 going through a process that does not use Blaze to 3 come up with rates and pricing and then updates 4 the rules in Blaze with -- with the output of 5 their rating calculations. 6 Q. Does that activity have an impact on Federal's 7 revenue? 8 A. The rates have an impact on the revenue. 9 Q. Applying the proper rates has an impact on 10 revenue; correct? 11 A. The actuarial rates that are developed have an 12 impact on revenue. Apply the wrong rate, they 13 won't. 14 Q. Paragraph 62. The report states, "Federal uses 15 Blaze in underwriting rules and maintenance as 16 well." 17 A. Um-hm. 18 Q. Can you describe that business activity for me? 19 A. Yeah. The underwriters set the rules for the 20 acceptance or the rejection of policies based on 21 certain criteria about the risk that they want to 22 underwrite. 23 Those -- those -- that business logic is 24 then converted into rules and loaded into Blaze, 25 and when the application comes into the CSI or</p>	<p style="text-align: right;">Page 172</p> <p>1 underwriting rules and maintenance is -- is 2 discussed; correct? 3 A. Yeah. This was work flow basically. I think this 4 was the inventory management activity. 5 Q. And tell me more about the inventory management 6 activity. How -- what is that activity? 7 A. Basically as an application comes in, they assess 8 what the application is, and depending on the 9 characteristics of the application, they route it 10 to the appropriate underwriter, or agent. 11 Q. And does that activity affect revenue in any way? 12 A. Not that I'm aware of. Unless they send it to the 13 wrong underwriter and they lose the policy as a 14 result of it, or they send it to an underwriter 15 that would have normally lost the policy and was 16 able to use judgment and change the decision. 17 Q. Let's move to -- back in Paragraph 63. What is 18 your support for your opinion in Paragraph 63? 19 A. 63? I think that might be the wrong number. 20 Yeah. This was an error here. 21 There was a deposition and a document in 22 the deposition that talked to the inventory 23 management work flow, and I think I've got a typo 24 here in this one, but I can look up the Fed 25 document and get back to you on it, but there was</p>
<p style="text-align: right;">Page 171</p> <p>1 whatever application -- policy application they 2 are using, it compares the -- the risk to those 3 criteria and executes it accordingly. 4 Q. And would you agree that that activity that you 5 just described has an impact on revenue? 6 A. The rules have an impact on revenue. 7 Q. What is the support for your opinion in Paragraphs 8 61 and 62? 9 A. Both Henry in his deposition and I think Chris 10 Ivey's deposition, it talks -- they both talk to 11 the fact that the rules were harvested from 12 Federal employees. 13 Q. Got that, but what about the descriptions of the 14 business functions of rate development and 15 maintenance, and underwriting rules and 16 maintenance within Federal? 17 A. There was discussion about working with the 18 underwriters in the depositions, working with the 19 product managers to develop the rules and load the 20 roles, harvest the rules. 21 So all of this was about the rules came 22 from Federal's employees, you know, whether they 23 were actuaries, product managers, underwriters, et 24 al. 25 Q. And in Paragraph 63, a different aspect of</p>	<p style="text-align: right;">Page 173</p> <p>1 discussion in one of the depositions about the 2 underwriters and inventory. It was around 3 inventory management basically and how it was 4 being -- how Blaze was being used to do work flow 5 routing, and that supported that. 6 Q. So moving to 65 -- 7 A. Um-hm. 8 Q. -- the prospect quoting activity, tell me what is 9 the prospect quoting activity? 10 A. Again, it -- there was an application that 11 basically took the information from the agent and 12 provided a quick quote that was then captured and 13 then interfaced to the -- to the policy 14 administration system. 15 Again, it was just routing more than 16 anything. It was not calculating revenue, or it 17 was basically providing a quick view into a quote. 18 Q. Blaze was providing that functionality? 19 A. No. No. The application that used Blaze. Blaze 20 was always called as a rules agent is my 21 understanding. 22 Q. Going up a level, the prospect quoting business 23 activity as its referred to in Paragraph 57 under 24 the policy acquisition. 25 A. Um-hm.</p>

<p style="text-align: right;">Page 174</p> <p>1 Q. What is that business function generally?</p> <p>2 A. That's using something that CSI Express uses, I</p> <p>3 think it's called Agency Port, as their portal for</p> <p>4 getting applications and quotes, and then that's</p> <p>5 interfaced to Blaze as a rule service to gather</p> <p>6 data about the application.</p> <p>7 Q. So separate from the technology, what is prospect</p> <p>8 quoting at an insurance company generally?</p> <p>9 A. Oh. It's basically providing a -- a quote to an</p> <p>10 agent on a particular policy.</p> <p>11 Q. And would you agree that that activity, providing</p> <p>12 a quote to an agent on a particular policy, can</p> <p>13 have a connection to revenue?</p> <p>14 A. A -- a quote is the price that the client is going</p> <p>15 to pay for the policy. So if the policy is</p> <p>16 successfully sold, it would add to revenue. If</p> <p>17 it's not, it would not. So ...</p> <p>18 Q. Moving on to Paragraph 66 --</p> <p>19 A. Um-hm.</p> <p>20 Q. -- it references the issuance, endorsement</p> <p>21 processing, and scheduled activities --</p> <p>22 A. Um-hm.</p> <p>23 Q. -- business function. Can you tell me, just like</p> <p>24 for prospect quoting, what is that business</p> <p>25 function?</p>	<p style="text-align: right;">Page 176</p> <p>1 A. Well, as a business function, it -- they are</p> <p>2 constantly monitoring what has to be reported on a</p> <p>3 regulatory basis, and -- and compliance with filed</p> <p>4 products and systems, and some of it -- very</p> <p>5 little of it, you know, is -- is -- deals with --</p> <p>6 none of it deals with generating revenue. It's</p> <p>7 all about are we in compliance with the policy at</p> <p>8 this point, or regulations by state, or territory,</p> <p>9 or whatever country we're in, and all that stuff.</p> <p>10 Q. So it's your opinion -- opinion that all</p> <p>11 regulatory compliance business issues are after</p> <p>12 the fact, after the policy has been sold?</p> <p>13 A. Generally speaking, they are -- they are looking</p> <p>14 at business that has already been transacted</p> <p>15 unless there's rules put into the system ahead of</p> <p>16 time to prevent noncompliance. Those will be part</p> <p>17 of the underwriting rules, they would be part of</p> <p>18 the pricing rules, they would be part of other</p> <p>19 things. So this is really an after the fact</p> <p>20 reporting process that says we did what we said we</p> <p>21 were going to do.</p> <p>22 Q. How did you confirm that Federal's regulatory</p> <p>23 compliance business mentioned in 67 was all after</p> <p>24 the fact compliance issues?</p> <p>25 A. This was around TAPS and the use of TAPS as a</p>
<p style="text-align: right;">Page 175</p> <p>1 A. Once the policy is accepted, the policy</p> <p>2 administration system takes it through a -- a set</p> <p>3 of functionality to -- to bind and book the</p> <p>4 policy, and will there are a lot of business rules</p> <p>5 that are fired or retrieved during that process to</p> <p>6 determine the status of the policy, and new versus</p> <p>7 renewal, changes, all those things. So ...</p> <p>8 Q. So that business function is just another step in</p> <p>9 moving the quote to a policy to a collected</p> <p>10 written premium --</p> <p>11 A. Booking.</p> <p>12 Q. -- booking, and receiving revenue; correct?</p> <p>13 A. Once it's sold, it generates revenue, and then</p> <p>14 this process is just storing it in a system of</p> <p>15 record for later retrieval, and changes, and ...</p> <p>16 Q. And what is your support for your opinions in</p> <p>17 Paragraph 66?</p> <p>18 A. Again, Ivey deposition talked to several of the</p> <p>19 rules that needed to be loaded into the policy</p> <p>20 administration requirement that came from Chubb,</p> <p>21 or Federal.</p> <p>22 Q. 67 mentions regulatory compliance.</p> <p>23 A. Um-hm.</p> <p>24 Q. Give me kind of an 10,000 foot overview of the</p> <p>25 regulatory compliance business function.</p>	<p style="text-align: right;">Page 177</p> <p>1 compliance tracking application.</p> <p>2 Q. And so it's your opinion that TAPS is an after the</p> <p>3 fact compliance tool? Did I summarize that right?</p> <p>4 A. Yes. I don't know if the underwriting rules and</p> <p>5 the -- any of the upfront rules -- this is</p> <p>6 disclosure I believe was this particular</p> <p>7 application was about we had to disclose something</p> <p>8 during the process of underwriting the risk, and</p> <p>9 so it's a check box. It's basically on the</p> <p>10 application they hit a box, stores it, and makes</p> <p>11 sure that they are in compliance.</p> <p>12 So I -- I do believe it's an after the fact</p> <p>13 not before the fact, but it wouldn't -- wouldn't</p> <p>14 matter either way in terms of revenue. It would</p> <p>15 only matter in terms of fines if they weren't in</p> <p>16 compliance.</p> <p>17 Q. Well, if you're checking a box on an application,</p> <p>18 that's a before the fact use; correct?</p> <p>19 A. Yes, but if they don't check the box, application</p> <p>20 tracks it on the back ends. It's an after --</p> <p>21 after the fact. So it's checking on the back end</p> <p>22 to see if they checked it on the front end, and I</p> <p>23 actually complied with the disclosure. This is</p> <p>24 the one that could have done it with Excel to be</p> <p>25 honest.</p>

Page 178

1 Q. You're specifically referring to TAPS; correct?
 2 A. I am. I am.
 3 Q. Do you know how many -- and TAPS stands for what
 4 again?
 5 A. Texas Accident Prevention. It's a workers' comp
 6 compliance requirement for the state of Texas.
 7 Q. And so some insurance applications need to comply
 8 with TAPS in Texas; correct?
 9 A. Correct.
 10 Q. Do you know how many insurance policies that
 11 affects every year?
 12 A. No I do not.
 13 Q. Did you ask anybody?
 14 A. It doesn't matter whether it's one or many, but
 15 no, I did not.
 16 Q. So why do you say that the -- is it your opinion
 17 that the features, functionality provided by Blaze
 18 within the TAPS application could be done with an
 19 Excel spreadsheet; correct?
 20 A. That's what I was told. Yes.
 21 Q. That's what you were told by whom?
 22 A. Helen and Ellen.
 23 Q. And did you do anything to independently verify
 24 that that statement was true?
 25 A. I looked at the descriptions of all the use of

Page 179

1 TAPS within the depositions and documents that I
 2 had, and it would confirm that it's a disclosure
 3 type of check the box function that we disclose
 4 properly as part of the process. So that's my
 5 only verification.
 6 Q. And how would you use an Excel spreadsheet instead
 7 of Blaze to accomplish the same functionality?
 8 A. I have an individual pull up the spreadsheet, go
 9 through the list of applications, and see if it
 10 complied.
 11 Q. But you don't know how many applications that
 12 individual would have to look through?
 13 A. And according to Ellen, it's a low volume
 14 business. So I didn't ask how many policies. Low
 15 volume usually means low, not many, and they said
 16 that Blaze was used because it was there. It --
 17 you know, it wasn't -- not Helen and Ellen didn't
 18 say that because they didn't know Blaze existed.
 19 Ramesh Pandey basically said they could have
 20 easily used Excel as well.
 21 Q. Do you know how many people would need to be
 22 employed to undertake the same tasks as Blaze
 23 Advisor with respect to the TAPS application to
 24 perform the same functions using Excel
 25 spreadsheet?

Page 180

1 A. I don't recall the exact number, but they said a
 2 small number of people could have done this.
 3 Q. How many is a small number of people?
 4 A. I don't know. I didn't ask.
 5 Q. Over how many years? Do you know?
 6 A. No.
 7 Q. You don't know how many policies it involved;
 8 correct?
 9 A. Other than it was a low volume business. Workers'
 10 comp in Texas is poor -- is probably a very low
 11 volume business.
 12 Q. Chubb is one of the largest insurance companies in
 13 the world; correct?
 14 A. Um-hm.
 15 Q. They are one of the largest suppliers of business
 16 insurance in the United States; correct?
 17 A. Right.
 18 Q. So a low volume of business to Chubb could be --
 19 strike that. So you don't have an opinion one way
 20 or the other as to the cost or expense Chubb would
 21 have incurred to use an Excel spreadsheet instead
 22 of Blaze Advisor in the TAPS application --
 23 A. I do not.
 24 Q. And you don't -- you have not undertaken an
 25 analysis to determine whether the use of a

Page 181

1 spreadsheet in the TAPS application instead of
 2 Blaze Advisor would yield the same results;
 3 correct?
 4 A. I -- I'm going by the word, the folks I spoke
 5 with, that they could use it that way.
 6 Q. Do you know what percent of Federal's business
 7 rules were ever implemented into Blaze Advisor?
 8 A. I couldn't get a count. So no I do not.
 9 Q. What was your methodology then to determine in
 10 Paragraph 69 to make the statement, "Only a
 11 fraction of Federal's business rules and decisions
 12 were ever loaded into Blaze Advisor," -- "Blaze to
 13 assist Federal."?
 14 A. There's hundreds of thousands of rules that are
 15 executed on a daily basis as part of this business
 16 activity model, and if you look at the numbers of
 17 rules that are loaded -- that are on that Fed
 18 17914, it's a small amount compared to the total
 19 rules that are being made on a daily basis.
 20 Q. Do you know how many -- how many rules decisions
 21 are being made at Federal on a daily basis?
 22 A. I do not.
 23 Q. Did you ask anyone?
 24 A. I asked for total rules relative to plays, but I
 25 didn't ask them for the total rules across all of

46 (Pages 178 - 181)

Page 182

1 their business model. No.
2 Q. So you -- you asked to receive information on the
3 total rules relative to Blaze?
4 A. Um-hm.
5 Q. And what was the answer you received?
6 A. It's in Schedule 17914 I believe, the list of
7 rules that are associated with those applications.
8 Q. Oh. Those are the -- I'll get it for you.
9 A. I think it's on my chart.
10 (Whereupon material was marked for
11 identification as Exhibit 454.)
12 BY MS. KLIEBENSTEIN:
13 Q. I'm handing you what's been marked as Exhibit 454.
14 A. Complexity of number of rules.
15 Q. Is this a document you're referring to?
16 A. It is.
17 Q. Did you ask to receive information about the total
18 number of rules being made at Federal companywide?
19 A. In one of the discussions, was there a way to
20 count the total number of rules, and couldn't get
21 that number, but they could -- because of Blaze,
22 they were able to count what rules were in Blaze.
23 Q. So you don't have any documentary support for your
24 opinion that only a fraction of Federal's business
25 rules and decisions were ever loaded into Blaze;

Page 183

1 right?
2 A. It's in my experience, based on my experience of
3 operating all these systems for an insurance
4 company.
5 Q. So continuing on to Page 20, the statement that,
6 "Blaze's use is relatively small based on my
7 experience with seven insurance companies in North
8 America," --
9 A. Um-hm.
10 Q. -- that opinion is based on your experience and
11 not any data from Federal; right?
12 A. Correct.
13 Q. Paragraph 70 through 73 --
14 A. Um-hm.
15 Q. -- is your support for those paragraphs solely
16 your experience?
17 A. No. In 70, if we look at the Gartner article on
18 innovation technology insight basically defining
19 the business rules management system, and then
20 part of that is my own experience working with
21 Ratabase and other policy systems that had
22 components for rules management.
23 Q. In Paragraph 73, you provide an example of where
24 you did not think a business rules engine should
25 have been employed --

Page 184

1 A. Um-hm.
2 Q. -- is that an accurate summary?
3 A. That's correct.
4 Q. And you gave a hundred policy volume is a high
5 average premium; right?
6 A. Right.
7 Q. Do you know how many policies Federal writes in
8 any year?
9 A. No. I don't have the exact number.
10 Q. It's in significant excess of a hundred policy in
11 any given year; correct?
12 A. Yes. It's way more than a hundred.
13 Q. Moving to Paragraph 74, again, as we discussed
14 earlier --
15 A. Yeah.
16 Q. -- you conclude -- your opinion in 74 is that
17 based on your experience and not documentary
18 support from Federal?
19 A. Well, it's a small role, and if you look at the
20 ecosystem and the amount of technology that's
21 used, I have documentation on how many
22 applications and components, third party
23 components they use, and Blaze is a small part of
24 that overall business process and ecosystem. So I
25 do have documents from -- from Federal on that.

Page 185

1 Q. Are you referring to -- jumping over to Paragraph
2 87.
3 A. Um-hm.
4 Q. Were you referring to your opinion that Federal
5 has approximately 1500 applications?
6 A. Correct.
7 Q. How did you arrive at that opinion that Federal
8 that 1500 applications?
9 A. Claudio Ghislanzoni communicated that to me in an
10 interview, and it supports the total number of
11 systems, which is found in Fed 6248.
12 MS. JANUS: Just speak up when you need a
13 break.
14 THE WITNESS: Okay.
15 BY MS. KLIEBENSTEIN:
16 Q. One clarification on Paragraph 117. So we were
17 just referring to 1500 different applications.
18 A. Yeah.
19 Q. It mentions 10 out of 107 proprietary insurance --
20 A. Yeah. That -- that should have been 1500. I
21 picked up the wrong number.
22 Q. Okay.
23 A. Should have been 1500.
24 Q. Did you look at any documents to confirm Federal
25 has approximately 1500 applications?

Page 186

1 A. I looked at a -- some inventory documents, but I
 2 haven't got the final. That's why I put in here
 3 that I would reserve the right because we were
 4 looking to see if we could pin down the exact --
 5 exact number. So it's around 1500.
 6 Q. And then moving to Paragraph 88.
 7 A. Okay.
 8 Q. You state that, "Each application is made up of
 9 multiple," -- "multiple internally developed
 10 programs and potentially uses third party
 11 technologies."
 12 A. Correct.
 13 Q. What is the basis for your support for this
 14 opinion?
 15 A. The component view of CSI Express that is -- and
 16 the Appendix B items, but Appendix B shows you the
 17 third party components that are used as part of
 18 many of these applications, and then the component
 19 view shows the internally developed components as
 20 well. So where's the picture? Just making sure.
 21 There it is.
 22 Q. Appendix A or Appendix B?
 23 A. B I think it is. Is it A or B? The third party
 24 applications. I think it's maybe A.
 25 MS. JANUS: A.

Page 187

1 THE WITNESS: Yeah.
 2 BY MS. KLIEBENSTEIN:
 3 Q. And what is your support for Appendix A?
 4 A. Received this from Ramesh Pandey in an e-mail on
 5 third party software.
 6 Q. Has that e-mail been produced in this case?
 7 A. I don't know.
 8 MS. JANUS: We can check.
 9 BY MS. KLIEBENSTEIN:
 10 Q. So Appendix A reflects what again?
 11 A. These are third party software components that are
 12 used for very specific functionality to either
 13 build out or run the applications that run the
 14 business.
 15 Q. Okay. Are each of these third party software
 16 applications -- each of these pieces of third
 17 party software are they used in each of the 1500
 18 applications?
 19 A. Some -- no. There's some combination. It depends
 20 on what the application does, what language it's
 21 written in, what technology it needed to run on.
 22 There's so many -- a lot of variables as to what
 23 these -- what they need in an application. So not
 24 every application would -- none of the
 25 applications would use all 45 for example. CSI

Page 188

1 Express uses about 20 of these.
 2 Q. Which 20?
 3 A. I'd have to highlight them for you. I don't --
 4 they are in that chart. Go back to the chart
 5 there and look in the yellow on Page 26. If you
 6 look under the yellow boxes, you see the -- the
 7 components that are listed in -- or some of the
 8 components that are listed in Appendix A. The red
 9 boxes also are where Blaze is identified.
 10 Q. So the chart in Paragraph 97 identifies the 20
 11 third party software pieces that are used in CSI
 12 Express?
 13 A. Correct.
 14 Q. Do you know what third party software is used in
 15 each of the applications that are at issue in this
 16 case?
 17 A. No. I'm trying to get that information for each
 18 one. They -- we specifically asked to identify
 19 where Blaze was used in all the different
 20 applications on a component view. So ...
 21 Q. And why are you trying to get that information?
 22 A. Just to validate what I'm seeing in all of the
 23 documentation as well as understand how -- how
 24 much it's used, where Blaze is actually used
 25 versus the other technologies that are involved in

Page 189

1 the -- in running their business. Because my
 2 scope was to look at where Blaze is used in
 3 conducting their day-to-day business, and I need
 4 to know that for every system.
 5 Q. And sitting here today, you only know that
 6 information for CSI Express; correct?
 7 A. I know -- verbally I know it from most of the
 8 applications in that list that it's used. These
 9 are the ten that (indicating) -- that it's used
 10 in, that Blaze is used in. They are listed on Fed
 11 17914.
 12 Q. Got it, but you don't have any information sitting
 13 here today as to what other third party software
 14 pieces or what other pieces are within these
 15 various --
 16 A. Specific pieces --
 17 Q. -- applications?
 18 A. I'm sorry. Specific pieces no, but I do know that
 19 C -- CUW for example I'm told there were somewhere
 20 between 15 and 20 third party components used in
 21 that application, that's the next biggest behind
 22 CSI Express, and the others are quite small, you
 23 know, five-ten components.
 24 Q. Are those opinions reflected in your report
 25 anywhere?

48 (Pages 186 - 189)

Page 198

Page 200

1 (Whereupon a short break was taken from
2 3:46 p.m. to 3:57 p.m.)
3 THE VIDEOGRAPHER: We are back on the
4 record. This is the beginning of Media Number 5.
5 The time is 3:57.
6 BY MS. KLIEBENSTEIN:
7 Q. I'd like to backtrack to Paragraph 76.
8 A. Okay.
9 Q. And Paragraph 76 through 79 discuss alternatives.
10 A. Um-hm.
11 Q. Why are you providing opinions on -- well, let me
12 first ask: Alternatives to what?
13 A. To using Blaze in conducting the day-to-day
14 business.
15 Q. And why are you providing opinions on alternatives
16 to using Blaze?
17 A. As a way to show how Blaze is being used, and --
18 and ways that you could alternatively use it, or
19 other alternatives to using it.
20 Q. And how does that -- how does that relate to your
21 opinions based on whether or not Blaze Advisor is
22 connected to revenue and profits?
23 A. On what impact it's having -- having on the
24 business.
25 Q. So the first alternative is manual lookup?

1 time?

2 A. The volume seems pretty high for that to be an

3 option, but I don't know the complexity of all of

4 the -- the applications and whether, you know, 95

5 percent of them were simple and 5 percent were

6 difficult. It just depends on the mix of the

7 business I would -- would assume.

8 Q. So you don't know one way your the other sitting

9 here right now whether Federal could instead just

10 use the manual lookup method instead of Blaze for

11 all of the -- for -- in CSI Express?

12 A. Correct.

Page 199

1 A. Um-hm.
2 Q. Can you explain that alternative for me?
3 A. Yeah. It's basically using a -- a underwriting
4 manual, or a rate sheet, or some method to -- to
5 quantify the -- to look up the business rule
6 associated with the application, and then taking
7 an action based on that.
8 Q. Do you know one way or the other -- strike that.
9 Did you undertake any investigation to determine
10 whether Federal could take Blaze out of the
11 applications that use Blaze and use the manual
12 lookup methodology and receive the -- achieve the
13 same results in the same time?
14 A. I did not do that analysis. No.
15 Q. Why not?
16 A. Because I basically just gave the alternative that
17 manual lookup is an option, and I was told that
18 TAPS was a -- an application that fit that mold,
19 and based on that provided that feedback.
20 Q. So separate from TAPS -- let's take Exhibit 454
21 and look at the rest of the applications. Let's
22 take CSI Express. Do you believe that Blaze
23 Advisor could be taken out of CSI Express and
24 Federal could instead use the manual lookup
25 procedure and achieve the same results in the same

16 A. Don't know the complexity of the transaction so I
17 couldn't tell you. I have no opinion either way.
18 Q. Could be an hour?
19 A. Don't know.
20 Q. So to confirm, you don't know whether the manual
21 lookup method would be a viable alternative to the
22 use of Blaze in CSI Express; correct?
23 A. I do not know.
24 Q. And separate and aside from TAPS, would you agree to
25 that you don't know one way or the other whether

Page 202

1 the manual lookup alternative would be a viable
 2 alternative to Blaze Advisor in any of these other
 3 applications listed in Exhibit 454?
 4 A. Correct.
 5 Q. And you did not undertake any analysis to
 6 determine whether the manual lookup procedure
 7 would be a viable alternative to Blaze in those
 8 applications?
 9 A. Correct.
 10 Q. Hard coding. Tell me about the hard coding
 11 alternative.
 12 A. The hard coding is basically putting the rules
 13 into programming code, homegrown code.
 14 Q. I see in Paragraph 18 -- 78 you state that, "Hard
 15 coding may be a good alternative for the
 16 appropriate application that has infrequent rule
 17 change."
 18 A. Um-hm.
 19 Q. Are there any applications that are at issue in
 20 this case that are applications that have
 21 infrequent rule changes?
 22 A. I believe TAPS probably has infrequent. I have no
 23 opinion on the others because I don't know what
 24 the underwriting criteria and how often it changes
 25 is for those products. So on the policy

Page 203

1 administration systems, the frequency of rule
 2 changes could be low, could be high. I don't
 3 know.
 4 Q. So other than TAPS, you don't have an opinion as
 5 to whether hard coding is a viable alternative to
 6 Blaze Advisor and any of the other applications
 7 listed on Exhibit 454?
 8 A. Correct.
 9 Q. And the third alternative you list is a business
 10 rules engine?
 11 A. Um-hm.
 12 Q. Is that synonymous for just another competitor of
 13 Blaze Advisor?
 14 A. Yes.
 15 Q. And have you undertaken any analysis to determine
 16 whether another competitor of Blaze Advisor would
 17 be a suitable alternative to the use of Blaze
 18 Advisor in the applications listed on Exhibit 454?
 19 A. I -- I know they would be based on my experience
 20 with rules engines. Based on how I understand
 21 Federal is using them within their applications.
 22 Q. And that opinion is based on your experience;
 23 correct?
 24 A. Absolutely.
 25 Q. Moving to Paragraph 81.

Page 204

1 A. Um-hm.
 2 Q. Your opinion -- your report states, "FICO refers
 3 to the benefit of increasing speed for various
 4 decisions as evidence of Blaze improving gross
 5 written premium and revenue gross."
 6 A. Um-hm.
 7 Q. Did you undertake an analysis to determine whether
 8 or not Blaze Advisor increased the speed of
 9 various decisions in the applications that use
 10 Blaze Advisor at Federal?
 11 A. I would -- I did not take an analysis, but I don't
 12 believe Blaze contributes to revenue and growth as
 13 I've stated in my report. It's the core
 14 competency of the organization that delivers
 15 revenue and profit, and you can't tie revenue and
 16 profit to a single product or single technology.
 17 Q. Focusing on the increase in speed, and setting
 18 aside the contribution to revenue concept, do you
 19 have any -- do you dispute that Blaze Advisor did
 20 increase the speed of certain decisions in the
 21 applications at which -- in the applications that
 22 use Blaze Advisor at Federal?
 23 A. I don't know if it did.
 24 Q. So you -- I asked that. If you were to undertake
 25 that study to determine if Blaze Advisor increased

Page 205

1 the speed of any decisions, how would you go about
 2 doing it?
 3 A. I don't think there is a way to measure every part
 4 of the ecosystem and then tie that back to a
 5 single technology product as something to generate
 6 revenue or profit. Otherwise companies would be
 7 buying technology based on revenue and profit as
 8 the motive for buying the product, and none of
 9 them do it. It's a common practice not to.
 10 Q. Explain that for me. It's a common practice
 11 not --
 12 A. The cost benefit analysis doesn't focus on revenue
 13 and profit.
 14 Q. Because it's difficult to analyze; correct?
 15 A. You can't track it to that one technology.
 16 Q. And so that's why the -- the ROI, if you will, is
 17 focused on expenses more often; is that right?
 18 A. Expenses of the whole process, not of that one
 19 technology.
 20 Q. And that's because the expenses are easier to
 21 track; is that right?
 22 A. For the whole ecosystem.
 23 Q. The expenses are easier to track for the whole
 24 ecosystem; is that right?
 25 A. Correct.

52 (Pages 202 - 205)

Page 206

1 Q. We had -- before the break, we were talking about
 2 DecisionPoint. Let's move to Premium Booking on
 3 Page 28 of your report.
 4 A. Page 28? Um-hm.
 5 Q. What is your understanding of the Premium Booking
 6 application?
 7 A. It determines the type of premium that's booked,
 8 and tags it, and feeds it into a database that is
 9 then used for reporting purposes. It's a feeder
 10 into a reporting application.
 11 Q. And is it your opinion that the use of Blaze in
 12 the Premium Booking application has zero effect on
 13 the revenue of Federal?
 14 A. I think Blaze has zero effect on revenue and
 15 profits.
 16 Q. So focusing on zero effect on revenue of Blaze
 17 Advisor and Premium Booking, can you tell me what
 18 the basis is for that opinion?
 19 A. It's a reporting application. It's just basically
 20 categorizing and putting it into a way to report
 21 it back out. It's not selling it. It's not
 22 booking it. It's not doing anything relative to
 23 the policy. It's just reporting it.
 24 Q. Premium Booking is reporting the policies for what
 25 purpose?

Page 207

1 A. For analysis of how the premium was generated I
 2 guess.
 3 Q. Do you know what the business case was for
 4 developing the Premium Booking application?
 5 A. I do not.
 6 Q. Did you ask anybody what the business case was for
 7 developing the Premium Booking application?
 8 A. I did not.
 9 Q. Let's talk about the commercial underwriting
 10 workstation --
 11 A. Um-hm.
 12 Q. -- and inventory management. Do you have an
 13 understanding of what the business case was for
 14 implementing the inventory management tool within
 15 the commercial underwriting workstation?
 16 A. My -- my understanding is it's used for clearing
 17 -- a clearing function. Basically identifying the
 18 right agent, broker to send the -- or underwriter
 19 to send the application to. That's one use of --
 20 of that application, of Blaze in that application.
 21 Again, that piece of CUW was something that
 22 I was told that can be manually handled as part of
 23 a -- a manual process.
 24 On the predictive score side, Federal loads
 25 data and algorithms and formulas they -- that they

Page 208

1 created into it, and based on the data that comes
 2 in on the application, it produces a predictive
 3 score that then is fed back out to the
 4 underwriter, and based on that, they can decide
 5 how they want to move forward with the policy.
 6 Q. And that predictive score is that a score as to
 7 the insurability of the -- the potential customer?
 8 A. The -- I believe it's severity of the risk.
 9 Q. Severity of what risk?
 10 A. That's been underwritten as part of the policy.
 11 Q. So why would Federal -- moving back to inventory
 12 management and sending it -- sending an
 13 application to the right underwriter, why would
 14 Federal have an interest in sending applications
 15 to, quote-unquote, the right underwriter?
 16 A. Because the type of risk. It might be -- may need
 17 different underwriting skill sets than other risks
 18 that they get through that same portal.
 19 Q. So by sending it -- sending the application to the
 20 right underwriter, the risk will be underwritten
 21 better?
 22 A. The assumption would be that -- that they would
 23 apply their knowledge of that risk and decide
 24 whether to approve it or reject it.
 25 Q. So essentially to achieve better underwriting;

Page 209

1 correct? Get it to the right underwriting --
 2 underwriter to achieve better underwriting?
 3 A. Correct.
 4 Q. And the predictive score; what business -- why
 5 would Federal have an interest in generating
 6 predictive scores about risk levels?
 7 A. To assess the potential of losses if they
 8 underwrite that policy.
 9 Q. Would the predictive score help Federal adjust the
 10 -- the premium requested?
 11 A. It would -- it would adjust what they charge for
 12 the policy if they decide to underwrite it. If
 13 they decide not to underwrite it, they don't get
 14 the revenue.
 15 Q. And within CUW, you mentioned that inventory
 16 management could be handled manually?
 17 A. I was told that it's a very simple rule
 18 requirement, and someone could look at it coming
 19 in and route it to the right person, and it was
 20 used for work flow routing because it was simple.
 21 It was there, they were using it for predictive
 22 scores, they might as well use it for that.
 23 Q. And who told you that information?
 24 A. In one of the discussions with Ramesh.
 25 Q. So looking at Exhibit 454, [REDACTED]

Page 210

1 [REDACTED]
 2 goes through Blaze. Do you see that?
 3 A. Um-hm.
 4 Q. How many more people would Federal need to hire if
 5 they were going to perform that task manually?
 6 A. I don't know the answer. Depends on whether
 7 there's peaks in volume, and how -- how many they
 8 are getting at any one point in time.
 9 Q. So you have not independently investigated whether
 10 in the inventory management tool the manual lookup
 11 procedure is a viable business alternative --
 12 A. I have not.
 13 Q. -- to Blaze Advisor? And the predictive score
 14 feature did -- did I hear you did somebody tell
 15 you whether that could be handled manually as
 16 well?
 17 A. No. I did not hear that as part of the discussion
 18 on the application. but I also would assume it's a
 19 calculation that could be done with other
 20 technology. The question is the volume.
 21 Q. But you have not undertaken an independent study
 22 to determine whether manual lookup, hard coding,
 23 or any other third party --
 24 A. No.
 25 Q. -- software database could be inserted for Blaze?

Page 211

1 A. Correct. I have not.
 2 Q. We've already talked about TAPS. Let's move to
 3 the individual rate modification application, or
 4 IRMA. What is your understanding of the IRMA
 5 application?
 6 A. It's a compliance application to make sure that
 7 the -- the policy AD-MIN is pulling from a
 8 centralized set of rates for consistency.
 9 Q. So there's a policy AD-MIN that is pulling rates
 10 from a centralized location?
 11 A. Yeah. It's a service call to Blaze which provides
 12 the -- the individual policy rates, and then they
 13 can modify those and model them. There's a lot of
 14 activity that's going on to insure that they are
 15 complying with the rates that are filed so that
 16 they don't have a compliance problem.
 17 So this is -- to our discussion earlier,
 18 it's making sure that upfront they are in
 19 compliance as opposed to checking it on the back
 20 end.
 21 Q. So the IRMA application helps comply with what
 22 regulations?
 23 A. Federal and state regulations.
 24 Q. That deal with --
 25 A. Mostly state regulations.

Page 212

1 Q. That deal with what?
 2 A. Rates. Not charging too much. Providing the
 3 right discounts. You file your rates with
 4 regulatory bodies, and you have to make sure
 5 you're within a threshold when you quote the
 6 policies and buy the policies.
 7 Q. So the IRMA application helps Federal makes sure
 8 that it's within those rate boundaries before they
 9 issue the policy; is that right?
 10 A. Correct.
 11 Q. And have you undertaken any analysis to determine
 12 whether another alternative could be used in place
 13 of Blaze in the IRMA application?
 14 A. No, but they could use another rating agent for
 15 sure. Don't know if they could use the manual
 16 approach, and I'm assuming because it's a newer
 17 app they are not going to go back to embedding.
 18 So they could use an alternative rating engine.
 19 Q. But you've not undertaken an independent analysis
 20 to study that; correct?
 21 A. I have not.
 22 Q. Going back to TAPS, the basis for your opinions
 23 regarding TAPS is a telephone call with Helen
 24 Mencke and Ellen Games?
 25 A. Correct.

Page 213

1 Q. Do you have any other bases for that support
 2 regarding your opinions regarding TAPS?
 3 A. Just based on experience, and based on the low
 4 value of Texas workers' comp, I did a lot of work
 5 with Zenith Insurance, and I know -- I know that
 6 business well enough to know that it's low volume.
 7 Q. But we can't sitting here today put a number,
 8 quantify that low volume amount?
 9 A. No. Not like this.
 10 Q. Let's turn to Paragraph 112. Actually, sorry,
 11 111.
 12 A. Um-hm.
 13 Q. In 111, your report states, "Based on my review of
 14 the original license agreement and subsequent
 15 amendments between FICO and Federal in this
 16 case," --
 17 A. Um-hm.
 18 Q. -- "the initial contacting arrangement and pricing
 19 seems consistent with the market pricing for
 20 business rules management software at that time."
 21 A. Yup.
 22 Q. And what were -- what is the basis for that
 23 opinion?
 24 A. My experience in the marketplace. Along with what
 25 I saw in the actual licensing agreement for a Tier

Page 218

1 A. Um-hm.
 2 Q. Is the only purpose for software in a business
 3 organization to make the business processing more
 4 efficient for human resources?
 5 A. No. It's not the only reason, but it's a reason.
 6 Q. What are the other -- some other reasons to use
 7 software in a business environment besides -- to
 8 make business processing for efficient for human
 9 resources?
 10 A. To validate data. To provide functionality for
 11 processing policies, but that's not a role that
 12 Blaze provided, and I was focused on Blaze for
 13 this report.
 14 Q. What is your support for your opinion in Paragraph
 15 113?
 16 A. Again, my experience in buying and selling
 17 software for the last 22 years.
 18 Q. In Paragraph 14, you state, "Federal would not
 19 profit from breaching its agreement with FICO as a
 20 software company."
 21 A. Right.
 22 Q. What is your basis for that statement?
 23 A. Basically Federal is an insurance company that
 24 uses technology to support their business. They
 25 are not using -- they are not selling technology

Page 219

1 and making money off the selling technology. So
 2 any alleged breach, whether proven or not, would
 3 be considered a -- a -- profiting from -- from the
 4 technology.
 5 Q. And profit again is revenue minus expenses;
 6 correct?
 7 A. Correct.
 8 Q. And let's presume that FICO is right, that as a
 9 result of the acquisition by ACE Federal owes more
 10 license fees.
 11 If Federal didn't pay those license fees,
 12 they would be reducing their expenses correct?
 13 MS. JANUS: Object to the form of the
 14 question. Calls for speculation, and a
 15 hypothetical.
 16 THE WITNESS: I -- I have no idea whether
 17 they are going to be -- they were in breach or not
 18 so I can't answer the question, but ...
 19 BY MS. KLIEBENSTEIN:
 20 Q. Well, but you know enough to opine that Federal
 21 would not profit from breaching its agreement --
 22 A. Correct.
 23 Q. -- with FICO as a software company?
 24 A. Correct.
 25 Q. So I'm testing the validity of that opinion. So I

Page 220

1 don't believe it's a hypothetical that can't be
 2 answered. So let's -- let's explore that again,
 3 the statement is, "Federal would not profit from
 4 breaching its agreement with FICO as a software
 5 company," and I understand your position that
 6 Federal doesn't resell software.
 7 A. Right.
 8 Q. So it's not going to gain license fees from
 9 reselling Blaze. Agreed? So let's take that off
 10 the table. You've agreed with me that profit is
 11 revenue minus expenses?
 12 A. Um-hm.
 13 Q. If Federal breached its agreement with FICO and
 14 should have paid more in license fees after the
 15 acquisition but didn't, aren't they saving
 16 expenses?
 17 MS. JANUS: Same objections.
 18 THE WITNESS: They are not paying out
 19 anything as a result, but again, it's -- they
 20 haven't -- it's not proven, and I don't know how
 21 much license -- whether the license fees are valid
 22 based on what they have already paid and what
 23 their terms were.
 24 To me, they have paid significant amount of
 25 license fees and services fees that support the

Page 221

1 business that they are doing with the product.
 2 BY MS. KLIEBENSTEIN:
 3 Q. So your opinion stating Federal would not profit
 4 from breaching its agreement with FICO as a
 5 software company is solely based on the fact that
 6 Federal would not then resell the software and get
 7 license fees back in?
 8 A. That was the primary reason. Yeah.
 9 Q. Okay. Let's look at Paragraph 126.
 10 A. Okay.
 11 Q. I take your opinion to be that you do not agree
 12 that realizing the benefits of precision,
 13 consistency, agility, speed, and cost improves
 14 revenue; correct?
 15 A. Correct.
 16 Q. And what is the basis for that opinion?
 17 A. Because doing things fast doesn't necessarily mean
 18 doing them right. Consistently delivering the
 19 wrong rule is not right. Basically, you know,
 20 doing things faster doesn't necessarily mean it's
 21 doing the right things.
 22 Q. One of the core competencies of Federal that
 23 you've testified about earlier is the people;
 24 right?
 25 A. The knowledge -- people, and the knowledge that

Page 222

1 they contain about insurance. Correct.
 2 Q. And how likely do you think it is that Federal
 3 often uses the wrong rules or the wrong logic?
 4 A. I don't have an estimate of how many times that
 5 happens, but they have losses, and if you look at
 6 the loss ratio, you'll see that they have
 7 underwritten risks that they have taken losses on.
 8 Sometimes big risks. So it's not always accurate.
 9 Q. So human judgment is not always accurate; correct?
 10 A. And it's human judgment that -- that drives the
 11 business, not technology.
 12 Q. My question was though: Human judgment is not
 13 always accurate; correct?
 14 A. Not always accurate. Yeah.
 15 Q. Do you have any examples of Federal loading
 16 inaccurate business rules that resulted in -- that
 17 did not provide the intended results?
 18 A. I used the -- the loss ratio as an example of
 19 making decisions on policies that were inaccurate.
 20 So I don't have a policy level data to share.
 21 Q. So other than the generalized corporate loss
 22 ratio, you don't have any specific evidence of
 23 your opinions in Paragraph 126?
 24 A. No.
 25 Q. In looking at Paragraph 127 --

Page 223

1 A. Um-hm.
 2 Q. -- what methodology did you use to arrive at your
 3 opinions in Paragraph 127?
 4 A. So -- so basically, if I recall, that 275 -- yeah.
 5 So this was based on the fact that the rules come
 6 from Federal employees and are not always accurate
 7 rules, which are evidenced by what we just
 8 discussed on -- on losses.
 9 So that's the -- the slide that they point
 10 to happened to be a Federal slide that contained
 11 marketing data from what I saw was a FICO slide.
 12 The same data that was on a FICO slide was on the
 13 Federal slide, and it was more of a marketing
 14 slide than it was a realized benefits.
 15 Q. Pick up Exhibit 452.
 16 A. 452. What page? What page? I'm sorry.
 17 Q. Look to Slide 14.
 18 A. 14. Yeah. Reasons for adoptions. Again, I saw
 19 this same slide in other FICO presentations.
 20 Q. So is this the type of slide that informed your
 21 opinion in Paragraph 127?
 22 A. It was.
 23 Q. And so in your opinion, all of the reasons for
 24 adoption listed on Slide 14 of Exhibit 452 are
 25 efficiencies?

Page 224

1 A. Yeah. They are aspirational efficiencies.
 2 Q. Aspirational efficiencies, and you have not
 3 undertaken any independent study to determine --
 4 to determine whether these aspirational
 5 efficiencies actually occurred; is that right?
 6 A. That's correct.
 7 Q. And based on your earlier testimony, I understand
 8 that would be quite difficult to do; is that
 9 right?
 10 A. Yes. Again, technology doesn't drive revenue and
 11 profit. It's the core competency of all of the
 12 people, process, and technology brought together.
 13 So trying to pin down revenue and profit to a
 14 technology is impossible.
 15 Q. Understood, but your opinion is that Blaze Advisor
 16 does not contribute to revenue?
 17 A. I don't think any single technology does.
 18 Q. But I'm understanding your testimony to be that
 19 it's the combination of people, processes, and
 20 technology that combine to generate revenue.
 21 A. Support a core competency.
 22 Q. And generate revenue; correct?
 23 A. Yes.
 24 Q. And technology is a piece of that core competency;
 25 correct?

Page 225

1 A. It's part of the ecosystem that a business uses to
 2 do their business.
 3 Q. So in --
 4 A. But the source of -- the source of the decisions
 5 that are being made about the business come from
 6 the people and what's in their heads, not from the
 7 technology. It's only a tool to present what was
 8 in those people's heads. So the technology is not
 9 generating revenue. It's the rules that the
 10 people loaded into the technology that are
 11 generating revenue and profit.
 12 Q. I understood you to tell me earlier that one core
 13 competency of Federal was the combination of the
 14 people, processes, and technology.
 15 A. I may have misunderstood what you said, but the
 16 core competency of an insurance company is
 17 underwriting and investment income, and they
 18 support that business with people, process, and
 19 technology. That's what I thought I said.
 20 Q. I have written down you stated that it's the
 21 integration of people, process, and technology
 22 that is a core competence of Federal.
 23 A. If you look at how you define core competencies,
 24 it takes into account the whole organization,
 25 people, process, and technology, but it in and of

57 (Pages 222 - 225)

<p style="text-align: right;">Page 226</p> <p>1 itself is not a core competency.</p> <p>2 Insurance companies are not -- they do not</p> <p>3 have a core competency in technology. Their core</p> <p>4 competency is in insurance, and creating insurance</p> <p>5 products, and selling insurance products, and</p> <p>6 pricing insurance products. Technology is just a</p> <p>7 support to that core competency.</p> <p>8 Q. And that opinion is based on your personal</p> <p>9 experience?</p> <p>10 A. Yes, and on the definition of a core competency</p> <p>11 from the research I've done.</p> <p>12 Q. Did you ask anyone at Federal what they believed</p> <p>13 to be their core competencies?</p> <p>14 A. Underwriting.</p> <p>15 Q. And who told you that?</p> <p>16 A. It was in a meeting with -- among -- with --</p> <p>17 THE WITNESS: Can I say Kevin?</p> <p>18 MS. JANUS: Conversations with in-house or</p> <p>19 outside counsel are privileged. You can talk</p> <p>20 about conversations you had to learn facts from</p> <p>21 the business people at Federal.</p> <p>22 THE WITNESS: Yeah, and they were on the</p> <p>23 call as well.</p> <p>24 BY MS. KLIEBENSTEIN:</p> <p>25 Q. So again, who -- who provided you with that</p>	<p style="text-align: right;">Page 228</p> <p>1 Q. And the next is enable decision logic to be used</p> <p>2 by multiple applications. What would be the</p> <p>3 business benefit of enabling decision logic to be</p> <p>4 reused by multiple applications?</p> <p>5 A. So you consistently apply that logic across</p> <p>6 multiple applications.</p> <p>7 Q. Why is that -- is that a good thing?</p> <p>8 A. Could be.</p> <p>9 Q. And why -- why could that be a good thing?</p> <p>10 A. If it applies to multiple products or multiple</p> <p>11 applications, you -- you want it to be</p> <p>12 consistently -- it might be a compliance issue.</p> <p>13 It could be a -- I would say compliance probably</p> <p>14 is a big benefit. It could avoid loss.</p> <p>15 Q. So they could avoid loss is one benefit?</p> <p>16 A. It's potential. It's potential.</p> <p>17 Q. Could the company also write more issue more</p> <p>18 policies in a shorter amount of time?</p> <p>19 A. You know, I have no idea of knowing what policies</p> <p>20 we're talking about here. So with this particular</p> <p>21 -- what decision logic we're even talking about.</p> <p>22 whether it's policy, whether it's claims, whether</p> <p>23 it's billing, whether it's rates, whether it's</p> <p>24 rule. I mean rules are all over the place.</p> <p>25 Q. But you don't have any reason sitting here today</p>
<p style="text-align: right;">Page 227</p> <p>1 information?</p> <p>2 A. I don't -- I was on the call with Ramesh, and</p> <p>3 in-house counsel, and external counsel. I think</p> <p>4 those were representatives from -- that were on</p> <p>5 the call.</p> <p>6 Q. So let's move to Slide 14. One of the bulleted</p> <p>7 reasons for adoption that --</p> <p>8 A. I'm sorry. What was that?</p> <p>9 Q. Oh. I apologize Slide 14 in Exhibit --</p> <p>10 A. Slide 14. Got it.</p> <p>11 Q. The first reason Chubb has listed here for</p> <p>12 adoption is reduce the time and cost involved in</p> <p>13 developing decision applications.</p> <p>14 A. Um-hm.</p> <p>15 Q. What business benefit would reducing the time and</p> <p>16 cost involved in developing decision applications</p> <p>17 achieve?</p> <p>18 A. Allow them to use the resources to do something</p> <p>19 else, or the -- or the investment to do something</p> <p>20 else.</p> <p>21 Q. Give me an example.</p> <p>22 A. May not -- you may have a person that can handle</p> <p>23 more work, or they don't need to handle the work</p> <p>24 so you have them do something else. You use that</p> <p>25 resource to do something different.</p>	<p style="text-align: right;">Page 229</p> <p>1 to disagree with the reason for adoption stated in</p> <p>2 that second bullet?</p> <p>3 A. If you can achieve that, it's a good thing.</p> <p>4 Q. Why would it be a good thing to achieve --</p> <p>5 A. To have consistently applied that logic across the</p> <p>6 multiple applications that needed it so you don't</p> <p>7 have to redevelop it multiple times. It's why you</p> <p>8 externalize rules.</p> <p>9 Q. It would be a business benefit; correct?</p> <p>10 A. Potentially.</p> <p>11 Q. Let's move to the fourth bullet, cut operational</p> <p>12 costs and cycle times through automation. Can you</p> <p>13 explain to me what business benefit would be</p> <p>14 achieved from cutting operational costs and cycle</p> <p>15 times using automation?</p> <p>16 A. If you can automate something that someone is</p> <p>17 doing today, you can redeploy the body, or you can</p> <p>18 reduce it. Most cases they are redeploying.</p> <p>19 Q. By redeploying, you mean that person can handle</p> <p>20 more work; correct?</p> <p>21 A. Or do something different that needs to be done.</p> <p>22 Q. I remember in the 2018 Chubb annual report we saw</p> <p>23 that passage referring to doing higher value work.</p> <p>24 Do you recall that?</p> <p>25 A. I do.</p>

Page 230

1 Q. Would that be an example of redeploying a person?

2 A. You could redeploy the person to do other work.

3 Yeah.

4 Q. The next bullet is elevate all decision-making to

5 the level of the organization top expert. What's

6 the business value in performing that function?

7 A. First of all, I don't think it's all

8 decision-making, but getting the expert to develop

9 the rules that then drive the decisions will

10 insure that you get a better risk, better --

11 better decision, but the rules are developed by

12 the people. So -- in all of this. It's people

13 drive all of this, not -- technology is a carrier.

14 Q. The next bullet is enforce consistency and

15 compliance across channels and contact forms.

16 What would be the business benefit of a -- of that

17 feature.

18 A. To make sure the rules are consistently applied

19 across the organization to avoid compliance and

20 potential fines.

21 Q. Could that be consistency in pricing as well?

22 A. It says and compliance. It's possible that this

23 could refer to pricing, but it doesn't say that.

24 So I don't know the answer to that.

25 Q. Would there be a business benefit in applying

Page 231

1 consistent prices in the insurance industry?

2 A. From a compliance point of view, yes.

3 Q. Paragraph 128. What is your -- what was your

4 methodology to arrive at the opinion in 128?

5 A. I -- I haven't seen any objective measures from

6 Whitener or from Federal that they achieved any

7 efficiencies for improvement in the gross written

8 premium.

9 Q. So your opinion is 128 is based on your

10 experience?

11 A. What I basically said here is if you want to track

12 efficiencies in an operation you have to measure

13 it -- you have to set a benchmark, you have to

14 measure it over time, and then have to report out

15 whether you got it, but this isn't about

16 technology. It's about the process and the

17 efficiencies in the process. You can't drag it to

18 one piece of software. Doesn't work.

19 Q. Do you know what RMA stands for?

20 A. RMA?

21 Q. Yeah.

22 A. Give me the context. No.

23 Q. As a -- as a feature that Blaze provides?

24 A. I'm not familiar. Is it the read methodology? I

25 don't know.

Page 232

1 Q. Okay.

2 A. Unless it's the read methodology, and that's just

3 the -- the core of the product and how it does its

4 calculations to pattern match rules and so forth.

5 More commonly called the readout algorithm.

6 So ...

7 Q. Would you agree with me that if an incorrect

8 business rule is loaded into Blaze that could lead

9 to an indirect -- an incorrect decision coming out

10 of Blaze and a negative impact on revenue?

11 A. An incorrect business rule will lead to an

12 incorrect decision, whether it's through Blaze or

13 manually.

14 Q. And would that lead to a negative impact on

15 revenue?

16 A. It depends on what that rule is. I mean, if it's

17 a non-financial transaction that you're

18 processing, no. If it was a financial

19 transaction, yes, related to the policy premium.

20 A lot of times the rules are not related to

21 revenue or -- or profit at all.

22 Q. So if it's a -- an incorrect business rule in a --

23 if it's a rule relating -- let me make sure I

24 heard you right.

25 An incorrect business rule could negatively

Page 233

1 impact revenue if the rule was about a financial

2 transaction relating to a policy premium?

3 A. Yes. Whether it was done manually or through

4 technology.

5 Q. And let's take the converse of that. Let's say a

6 correct business rule was implemented into Blaze

7 Advisor relating to a financial -- on a financial

8 transaction relating to a policy premium. That

9 would have a positive impact on revenue?

10 A. The rule would have a positive impact, not the

11 technology.

12 Q. Paragraph 133. Is Paragraph 133 -- your opinion

13 from Paragraph 133 based on any independent study

14 you can conducted?

15 A. It's not -- not with -- not with Federal. No.

16 Q. In Paragraph 135, you state that, "Blaze was

17 already in use by Federal to manage the rules

18 associated with the insurance policy processing

19 for specialty markets."

20 A. Um-hm.

21 Q. Are you saying that Federal was already a Blaze

22 customer before 2006?

23 A. No. No. This was after that. This was the

24 under-penetrated markets; right? This wasn't the

25 initial use of Blaze.

Page 234

1 Q. Got it, and again, you did not ask for documents
2 or any employee -- any employee statements about
3 the -- the business case for adoption of those
4 applications that came after CSI Express; correct?
5 A. Correct. I think the only one I had was --
6 escapes me. I stated it earlier. Slipped my
7 mind.
8 Q. Moving to Paragraph 140, your report states,
9 "Processing efficiencies as highlighted by Mr.
10 Whitener do not directly translate to improved
11 premium revenue or revenue growth."
12 A. Um-hm.
13 Q. Did you undertake any study to test that opinion?
14 A. That's based on my experience.
15 Q. Did you ask anyone at Federal whether what you
16 refer to as the processing efficiencies translated
17 into improved premium revenue or revenue growth?
18 A. I did not discuss this item from Whitener's report
19 with Federal, no, and it basically supports my
20 opinion that it takes the entire ecosystem to --
21 to do that.
22 MS. KLIEBENSTEIN: If we want to take a
23 short break, I don't think I have any additional
24 questions.
25 THE VIDEOGRAPHER: We are going off the

Page 235

1 record. The time is 5:04. 0
2 (Whereupon a short break was taken from
3 5:04 p.m. to 5:12 p.m.) 0
4 THE VIDEOGRAPHER: We are back on the
5 record. The time now is 5:12. 0
6 MS. JANUS: Heather, do you want to ...
7 MS. KLIEBENSTEIN: Oh. No further
8 questions.
9 MS. JANUS: I just have a couple.
10 EXAMINATION
11 BY MS. JANUS:
12 Q. Mr. McCarter, there was some questioning today
13 about saved expenses due to efficiencies.
14 A. Um-hm.
15 Q. Do you have an opinion as to whether any saved
16 expenses due to efficiencies were caused by or
17 contributed to by Blaze?
18 A. I don't think any expenses were achieved by Blaze.
19 It's the entire ecosystem core competency of the
20 company that creates business results, revenue and
21 profit. So no. I don't -- there's no one piece
22 of technology you can point to and say it created
23 savings or expense savings.
24 Q. You were asked generally about measuring saved
25 expenses or savings due to -- due to efficiencies

Page 236

1 and some of the difficulties of measuring that.
2 Would it even be possible in your mind to
3 measure saved expenses due to efficiencies caused
4 by Blaze?
5 A. Not directly by one piece of technology. I mean,
6 it's -- it's -- the business has people, process,
7 and technology that support the operation, and
8 generally it's not one or the other that create
9 the results. It's the combination of the whole
10 ecosystem.
11 So I -- I would not be able to tie
12 efficiencies to a specific piece of technology.
13 Q. Is that consistent with the conclusions that you
14 reached in your report?
15 A. Yes.
16 Q. Does the concept of saved expenses due to
17 efficiencies change in any way any of the
18 conclusions that you reached in your report?
19 A. No.
20 Q. Based on your experience and knowledge in the
21 industry, are you able to reach the conclusions
22 that you've reached in the report based on the
23 information that you were provided by Federal?
24 A. Yeah. I believe I had every -- all -- all the
25 information I needed to form my opinion.

Page 237

1 Q. And -- sorry. Go ahead.
2 A. And it's there in that document (indicating).
3 Q. So when you say that, do you mean that the
4 information that you relied on to reach your
5 conclusions is referenced in one way or another in
6 your report?
7 A. Yes.
8 Q. You were asked about certain business functions or
9 systems that were listed on Pages 17 through 20 of
10 your report --
11 A. Um-hm.
12 Q. -- during the deposition, and whether those
13 functions lead to revenue. Do you recall that
14 testimony?
15 A. I do.
16 Q. Do you have an opinion about whether the use of
17 Blaze in any of the described systems leads to
18 revenue?
19 A. Technology doesn't drive revenue. It's the --
20 it's the business rules, business logic that
21 supports the core competency of the organization
22 that drive revenue and profits. So no. Blaze
23 does not drive revenue and profits.
24 Q. Do you have -- I sort of asked this earlier, but I
25 want to make sure it's clear. Do you have enough

Page 238

1 information about the systems at Federal that use
2 Blaze to form your conclusions and opinions?
3 A. Yes.
4 MS. JANUS: Those are all the questions I
5 have.
6 THE WITNESS: Okay.
7 MS. JANUS: Thank you.
8 MS. KLIEBENSTEIN: I have some followups.
9 EXAMINATION
10 BY MS. KLIEBENSTEIN:
11 Q. You just stated that technology does not lead to
12 revenue growth; correct?
13 A. Correct.
14 Q. I note in the core competence article that
15 technology enhances core competencies; correct?
16 A. It supports them and enhances them.
17 Q. The article says enhances?
18 A. Um-hm.
19 Q. So doesn't it follow that technology as applied to
20 the core competencies can enhance revenue?
21 MS. JANUS: Object to the form.
22 THE WITNESS: It starts with the business
23 logic and the business.
24 BY MS. KLIEBENSTEIN:
25 Q. It starts with the business logic and the

Page 239

1 business --
2 A. And that's what drives revenue and profit.
3 Technology is a supporting aspect of that core
4 competency.
5 Q. And consistent with the article on core
6 competencies though, technology can be used to
7 enhance those core competencies that drive revenue
8 and growth; correct?
9 MS. JANUS: Object to the form.
10 THE WITNESS: I view it as supporting the
11 business, the core competency of the business,
12 which in the case of insurance and Federal
13 specifically is their underwriting capabilities
14 and their investment income management, which is
15 what drives all their revenue and profit.
16 BY MS. KLIEBENSTEIN:
17 Q. But the Harvard Business Review article uses the
18 word enhance doesn't it?
19 MS. JANUS: Objection. Argumentative.
20 Asked and answered several times.
21 THE WITNESS: Yeah. I've -- enhanced to me
22 supports the business.
23 BY MS. KLIEBENSTEIN:
24 Q. So enhance means the same thing as support in your
25 mind?

Page 240

1 MS. JANUS: Objection. Argumentative.
2 Asked and answered several times.
3 THE WITNESS: It supports the business.
4 That's my answer.
5 BY MS. KLIEBENSTEIN:
6 Q. I'd like an answer to my specific question, and
7 then I'll stop asking it. Enhance means the same
8 thing as support in your mind?
9 A. In the context of the -- supporting the business,
10 yes, and -- yes.
11 Q. So let's recap that. In the context of the --
12 well, let me back up.
13 The article of the core competence of the
14 corporation that's essentially a foundation of
15 your opinions in this matter; correct?
16 A. Um-hm.
17 Q. And it's your opinion that the core competencies
18 of a business lead to revenue generation; correct?
19 A. Correct.
20 Q. So the core competencies lead to revenue
21 generation?
22 A. Um-hm.
23 Q. The article states that technology enhances core
24 competencies; correct?
25 A. (Witness nodded head in the affirmative.)

Page 241


1 Q. And so the conclusion that I'm drawing is that I
2 recognize your opinion that a core competency is
3 what leads to revenue, but technology can enhance
4 that revenue; correct?
5 A. And I look at that as supporting the business.
6 Q. And your -- your definition of support is enhance;
7 correct?
8 MS. JANUS: Objection. Misstates the
9 testimony. It's argumentative, and it's
10 repetitive, and it's beyond the scope of the
11 limited questioning that I did.
12 THE WITNESS: Is there a question I should
13 be answering?
14 MS. KLIEBENSTEIN: Yeah.
15 BY MS. KLIEBENSTEIN:
16 Q. You keep inserting the word support for enhance --
17 MS. JANUS: He's explaining his opinion
18 over and over. You keep trying to change it. You
19 don't like the answer, but that doesn't mean you
20 can argue with him.
21 MS. KLIEBENSTEIN: I'm not arguing with
22 him. I'm trying to understand it.
23 MS. JANUS: I don't think you are. I think
24 you're trying to change it.
25 MS. KLIEBENSTEIN: You don't want him to

<p style="text-align: right;">Page 242</p> <p>1 say the words enhance revenue. So ...</p> <p>2 MS. JANUS: It has nothing to do with me</p> <p>3 Heather. It has to do with fair questioning.</p> <p>4 You've had as long a leash as you want today.</p> <p>5 You're going beyond the scope of the limited two</p> <p>6 minutes of questions that I asked, and you're</p> <p>7 simply arguing with the witness.</p> <p>8 MS. KLIEBENSTEIN: Let me finish my</p> <p>9 questions.</p> <p>10 BY MS. KLIEBENSTEIN:</p> <p>11 Q. So with or without technology, Federal's core</p> <p>12 competencies is it -- is it your -- would you</p> <p>13 agree with this, that Federal's core competencies</p> <p>14 would have generated the same amount of revenue?</p> <p>15 MS. JANUS: Object to the form of the</p> <p>16 question. It's vague. Calls for hypothetical.</p> <p>17 THE WITNESS: Yeah. I -- I don't know.</p> <p>18 Maybe they would have done different policies.</p> <p>19 Maybe they would have -- I don't know, but</p> <p>20 technology supports the business.</p> <p>21 BY MS. KLIEBENSTEIN:</p> <p>22 Q. So if you strip technology out of the business --</p> <p>23 A. Um-hm.</p> <p>24 Q. -- would Federal have generated the same amount of</p> <p>25 revenue?</p>	<p style="text-align: right;">Page 244</p> <p>1 what they would do.</p> <p>2 Q. Okay.</p> <p>3 A. Product-wise, services-wise.</p> <p>4 Q. My question wasn't about Blaze. It was about the</p> <p>5 technology in the business.</p> <p>6 If you take it out, do you think yes, no,</p> <p>7 don't know, can't tell, maybe, do you think that</p> <p>8 Federal could generate the same amount of revenue</p> <p>9 without all of the technologies that it employs</p> <p>10 today?</p> <p>11 A. They need technology to support the business, a</p> <p>12 lot of technology, not just one piece of</p> <p>13 technology, and I basically said that it's the</p> <p>14 core competency of that company that drives</p> <p>15 revenue and profit, and people, process, and</p> <p>16 technology support that.</p> <p>17 So enhancing is supporting to me because</p> <p>18 it's not replacing their core competency with</p> <p>19 technology. It's using their core competency to</p> <p>20 do what it does. Maybe a little bit faster, maybe</p> <p>21 a little bit differently, but it's their core</p> <p>22 competency that drives it.</p> <p>23 Q. So is that a yes or a no? If you take out all of</p> <p>24 the technology, they could generate the same</p> <p>25 revenue that they do today?</p>
<p style="text-align: right;">Page 243</p> <p>1 A. Don't know. I can't answer that.</p> <p>2 Q. What would you need to answer that question?</p> <p>3 A. What would they have done without the technology?</p> <p>4 What products would they have sold? Would this</p> <p>5 have gone to high value premium, low volume so</p> <p>6 they didn't need technology to generate the same</p> <p>7 amount of revenue. Arch generated \$3 billion</p> <p>8 dollars on ten policies. I didn't need technology</p> <p>9 for ten policies. I could have handled them all</p> <p>10 manually.</p> <p>11 Q. Do you understand Federal's business model today?</p> <p>12 A. I do.</p> <p>13 Q. And the way that they conduct their business</p> <p>14 today?</p> <p>15 A. I do.</p> <p>16 Q. And the way that they generate revenue today?</p> <p>17 A. I do.</p> <p>18 Q. Take out the technology that Federal uses today.</p> <p>19 Could they operate the exact same business today?</p> <p>20 A. They wouldn't take out -- take out Blaze and put</p> <p>21 -- they would put another rules engine in. So</p> <p>22 they would effectively be doing the same thing.</p> <p>23 Q. That wasn't my question.</p> <p>24 A. But you're asking me for a hypothetical, and I</p> <p>25 can't answer your question because I don't know</p>	<p style="text-align: right;">Page 245</p> <p>1 A. All of the --</p> <p>2 MS. JANUS: Objection. Asked and answered</p> <p>3 several times.</p> <p>4 THE WITNESS: Yeah. I've answered the</p> <p>5 question. It -- I don't know what they would do</p> <p>6 business-wise, but they would not take out all of</p> <p>7 their technology. They change technology all the</p> <p>8 time.</p> <p>9 BY MS. KLIEBENSTEIN:</p> <p>10 Q. And why wouldn't Federal take out all of its</p> <p>11 technology?</p> <p>12 A. It supports their business. It supports their</p> <p>13 core competency.</p> <p>14 Q. The first question you were asked was about</p> <p>15 whether you have an opinion as to whether any</p> <p>16 saved expenses due to efficiencies were</p> <p>17 contributed to by Blaze.</p> <p>18 Have you undertaken a study to determine</p> <p>19 whether Federal did in fact save any expenses due</p> <p>20 to any efficiencies contributed to by Blaze?</p> <p>21 A. No I did not.</p> <p>22 Q. And you haven't -- you haven't spoken to any</p> <p>23 witnesses at Federal about that: correct?</p> <p>24 A. Correct.</p> <p>25 Q. And you don't know one way or the other if Federal</p>

Page 246

1 could have achieved the same results using a
 2 different alternative; correct?
 3 A. I don't know if they could or they couldn't.
 4 Q. Then you were asked some questions about measuring
 5 saved expenses, and did you ask anyone at Federal
 6 whether it was possible to measure saved expenses
 7 as it relates to the applications that use Blaze
 8 Advisor?
 9 A. I asked Mr. Folz if there was any documentation on
 10 the metrics or justification, and he wasn't aware
 11 of any.
 12 MS. KLIEBENSTEIN: I think that's it.
 13 MS. JANUS: All right. We'll read and
 14 sign.
 15 THE VIDEOGRAPHER: This concludes today's
 16 deposition. The time now is 5:28 p.m.
 17 (Whereupon the deposition adjourned at 5:29 0
 18 p.m.)
 19
 20
 21
 22
 23
 24
 25

Page 247

1 STATE OF MINNESOTA)
 2) SS
 3 COUNTY OF HENNEPIN)
 4
 5 I Jacqueline McKone, certified shorthand reporter
 6 and notary public for the State of Minnesota,
 7 certify there came before me the deponent herein
 8 who was sworn by me to testify to the truth
 9 concerning the matters in the cause, and I certify
 10 this transcript is a true transcript of my
 11 original shorthand notes.
 12 I certify I am neither attorney nor counsel for,
 13 nor related to, nor employed by any of the parties
 14 to the action in which this deposition is taken;
 15 and furthermore, I am not a relative or employee
 16 of any attorney or counsel employed by the parties
 17 hereto or financially interested in this action.
 18
 19 The cost of the original transcript has been
 20 charged to the party noticing the deposition, and
 21 all parties ordering copies are charged at the
 22 same rate for such copies.
 23
 24 IN WITNESS WHEREOF, I have affixed my notary seal
 25 this day: 10 June 2019
 26
 27 
 28 JACQUELINE MCKONE

Page 248

1 Veritext Legal Solutions
 2 1100 Superior Ave
 3 Suite 1820
 4 Cleveland, Ohio 44114
 5 Phone: 216-523-1313
 6
 7 June 11, 2019
 8 To: Leah Janus
 9
 10 Case Name: Fair Isaac Corporation v. Federal Insurance Company
 11 Veritext Reference Number: 3390638
 12 Witness: Billy McCarter Deposition Date: 6/5/2019
 13
 14 Dear Sir/Madam:
 15 Enclosed please find a deposition transcript. Please have the witness
 16 review the transcript and note any changes or corrections on the
 17 included errata sheet, indicating the page, line number, change, and
 18 the reason for the change. Have the witness' signature notarized and
 19 forward the completed page(s) back to us at the Production address
 20 shown
 21 above, or email to production-midwest@veritext.com.
 22 If the errata is not returned within thirty days of your receipt of
 23 this letter, the reading and signing will be deemed waived.
 24 Sincerely,
 25 Production Department
 26
 27 NO NOTARY REQUIRED IN CA

Page 249

1 DEPOSITION REVIEW
 2 CERTIFICATION OF WITNESS
 3
 4 ASSIGNMENT REFERENCE NO: 3390638
 5 CASE NAME: Fair Isaac Corporation v. Federal Insurance Company
 6 DATE OF DEPOSITION: 6/5/2019
 7 WITNESS' NAME: Billy McCarter
 8 In accordance with the Rules of Civil
 9 Procedure, I have read the entire transcript of
 10 my testimony or it has been read to me.
 11 I have made no changes to the testimony
 12 as transcribed by the court reporter.
 13
 14 Date Billy McCarter
 15 Sworn to and subscribed before me, a
 16 Notary Public in and for the State and County,
 17 the referenced witness did personally appear
 18 and acknowledge that:
 19
 20 They have read the transcript;
 21 They signed the foregoing Sworn
 22 Statement; and
 23 Their execution of this Statement is of
 24 their free act and deed.
 25
 26 I have affixed my name and official seal
 27 this ____ day of _____, 20____.
 28
 29 Notary Public
 30 Commission Expiration Date

Page 250

1 DEPOSITION REVIEW
CERTIFICATION OF WITNESS

2 ASSIGNMENT REFERENCE NO: 3390638

3 CASE NAME: Fair Isaac Corporation v. Federal Insurance Company

4 DATE OF DEPOSITION: 6/5/2019

5 WITNESS' NAME: Billy McCarter

6 In accordance with the Rules of Civil
Procedure, I have read the entire transcript of
my testimony or it has been read to me.

7 I have listed my changes on the attached
Errata Sheet, listing page and line numbers as
well as the reason(s) for the change(s).

8 I request that these changes be entered
as part of the record of my testimony.

9

10 I have executed the Errata Sheet, as well
as this Certificate, and request and authorize
that both be appended to the transcript of my
testimony and be incorporated therein.

11

12 Date Billy McCarter

13

14 Sworn to and subscribed before me, a
Notary Public in and for the State and County,
the referenced witness did personally appear
and acknowledge that:

15 They have read the transcript;
They have listed all of their corrections
in the appended Errata Sheet;

16 They signed the foregoing Sworn
Statement; and

17 Their execution of this Statement is of
their free act and deed.

18 I have affixed my name and official seal
this _____ day of _____, 20____.

19

20 Notary Public

21

22 Commission Expiration Date

23

24

25

Page 251

1 ERRATA SHEET
VERITEXT LEGAL SOLUTIONS MIDWEST

2 ASSIGNMENT NO: 3390638

3 PAGE/LINE(S) / CHANGE /REASON

4 _____

5 _____

6 _____

7 _____

8 _____

9 _____

10 _____

11 _____

12 _____

13 _____

14 _____

15 _____

16 _____

17 _____

18 _____

19 _____

20 Date Billy McCarter

21 SUBSCRIBED AND SWORN TO BEFORE ME THIS _____

22 DAY OF _____, 20____.

23

24 Notary Public

25 Commission Expiration Date

64 (Pages 250 - 251)

[0 - 4000]

Page 1

0	113 217:23 218:15	237:9	21 96:18 97:7
0 4:9 40:3,5 235:1	117 185:16	17-18 59:13	115:21
235:3,5 246:17	12 87:16 88:12	17111 163:24	216-523-1313
0.06 191:23	106:19 115:12	17914 69:17	248:3
0001 3:21	126 221:9 222:23	181:18 182:6	22 3:9 115:22
0001-0028 3:19	127 222:25 223:3	189:11	218:17
0001-0029 3:17	223:21	18 102:12 110:17	23 115:23 116:1,3
000122 3:17	128 3:15 231:3,4,9	115:18 151:7	128:15,21,21
000171 3:19	12:02 108:25	202:14	235 3:4
0057280-0057304	109:2	182 3:20	24 115:24 128:25
3:25	12:04 109:5	1820 248:2	25 115:25 122:21
017914 3:21	12:05 109:2	19 115:19	128:15
1	12:14 115:20	1999 15:15	26 127:19 132:17
1 4:20 115:1 129:2	12:15 115:22	1:11 115:24	188:5
194:22	13 115:13 151:2,12	1:12 115:22	275 10:20 223:4
1,545 191:23	151:12	2	28 206:3,4
1.22 210:1	132 144:4,5	2 40:7 115:2	2:25 158:18,20
10 106:17 107:20	133 233:12,12,13	20 115:20 183:5	2:37 158:23
115:10 127:4,9,9	135 233:16	188:1,2,10 189:20	2:38 158:20
185:19 215:4	14 102:20 106:14	237:9 249:16	3
247:16	109:7 110:16	250:22 251:22	3 109:4 115:3
10,000 175:24	113:25 115:14	200 2:9	127:8,9 215:19
100 136:9 190:2	158:25 218:18	2000 15:14,14	243:7
100,000 11:4	223:17,18,24	2002 22:18 29:20	3200 2:3
103 194:15	227:6,9,10	32:22 150:4	332-5300 2:4
105 3:14	140 234:8	2006 6:12 59:23	332-9081 2:5
1054 1:4 4:25	143 3:24 87:1	60:1 77:23 78:16	3390638 248:7
107 185:19	145 3:16	78:18 79:21 90:16	249:2 250:2 251:2
10:06 40:8	15 102:21 110:17	91:3 92:17 102:13	35,000 140:16,22
10:07 40:5	115:15 160:19	102:14,19 109:15	160:7
11 28:7 115:11	189:20	109:20 110:14	3:46 197:25 198:2
149:24 153:6	1500 185:5,8,17,20	130:7 133:7	3:57 198:2,5
162:1 164:7,8,25	185:23,25 186:5	233:22	4
165:1,11,19,22	187:17	2016 60:1	4 115:4 127:11
248:4	16 1:4 4:25 63:16	2018 3:14 105:9	145:19,21 158:22
1100 248:1	75:12 102:12,21	107:6 138:17	40 133:22,23,24
111 213:11,13	102:21 110:17	229:22	400 148:21 149:1,2
214:14	115:16	2019 1:25 4:6,10	149:2,3
112 213:10 214:17	164 3:18	247:16 248:4	4000 2:9
217:19	17 24:6 59:13	20924 247:18	
	110:17 115:17		

[41 - achieved]

Page 2

41 137:4,6	55 28:8 161:10	76 198:7,9	absence 124:12
43 3:10 138:4	55402 2:4,10	78 202:14	absolutely 45:10
44 138:22,22,25	56 161:10,17 167:8	79 198:9	148:23 154:1
44114 248:2	57 161:10 162:7	8	203:24
444 3:8 9:21 10:2	166:15,16 173:23	8 55:3,5,11 106:13	accept 19:12,13
445 3:9 22:9,11	58 162:11	115:8 128:15	142:7 159:20
446 3:10 43:1,3	59 161:24 166:1,14	129:2	acceptance 170:20
447 3:11 45:19,21	5:04 235:1,3	80 2:3 4:4 160:17	accepted 19:18
448 3:12 52:11,13	5:12 235:3,5	81 203:25	59:2 175:1
449 3:13 96:23	5:28 246:16	83 82:8,9 83:19	access 31:9 32:2,9
97:1	5:29 246:17	87 3:24 185:2	32:14,15 57:18
45 3:11 139:3,7	5th 4:9	88 186:6	81:8 98:10
187:25	6	9	accident 178:5
450 3:14 105:3	6 3:3 10:19 106:6	9 3:8 115:9 128:10	accomplish 179:7
151:5	106:10 115:6	128:17	account 31:13
451 3:15 128:7,9	127:9 152:21	90 191:20	85:3 89:14 225:24
452 3:16 145:12,14	191:8,8,10	94 69:22	accountable 84:8
150:15 151:11	6/5/2019 248:8	95 200:4	85:3
223:15,16,24	249:3 250:3	96 3:13 150:4	accounts 19:12
453 3:18 164:1,3	60 167:9,9	97 188:10 190:3	89:2
454 3:20 182:11,13	61 169:20 171:8	9:05 4:5,9	accuracy 144:12
192:16 199:20	612 2:4,5,10,11	9:56 40:3,5	144:22,25 145:5,8
202:3 203:7,18	62 170:14 171:8	a	145:18,20,24
209:25	6248 185:11	a.m. 4:5,9 40:5,5	146:8,13
46 139:14	63 171:25 172:17	ability 21:15 51:17	accurate 10:20
47 140:10	172:18,19	51:18 52:1,4,7	37:18 43:20 44:15
49 140:10	65 173:6	53:21 87:19 88:11	46:1 54:17 145:22
492-7000 2:10	66 174:18 175:17	98:17,18,23 99:15	145:22 184:2
492-7077 2:11	67 175:22 176:23	101:11,16 106:5	222:8,9,13,14
5	69 181:10	107:1 154:3 156:9	223:6
5 1:25 4:6 56:16	7	156:16	accurately 148:5
89:10 106:2 115:5	7 62:9 115:7 127:6	abl 193:19	153:15 158:3
145:19 149:23	217:10	able 18:18 30:19	ace 1:9 93:9 94:20
165:2 198:4 200:5	70 183:13,17	32:15 36:10 37:14	219:9
50 11:3 138:23	73 183:13,23	44:5 108:19 124:4	achieve 92:5 133:7
139:1	74 184:13,16	125:21 135:19,21	133:15 196:23
50,000 11:1,2	75 11:5	154:4 156:1 169:3	199:12,25 208:25
51 143:12	75,000 11:7	169:10 172:16	209:2 227:17
52 3:12 150:17	750,000 200:19	182:22 195:20	229:3,4
151:4,5	201:4	196:4 236:11,21	achieved 61:12,23
			122:2 124:7

[achieved - agree]

Page 3

133:17 229:14 231:6 235:18 246:1 acknowledge 249:11 250:16 acquire 77:25 84:2 87:15 acquired 40:17 41:6,10 47:15 48:5 50:11 59:23 59:25 79:14 81:15 94:20 155:13 acquiring 49:20 49:25 57:25 77:19 83:20 84:18 87:8 acquisition 9:6 19:4 173:24 197:5 219:9 220:15 acronym 7:17 190:24 act 249:14 250:20 action 5:8 199:7 247:10,11 activities 9:12,13 76:10,14,25 100:9 114:7,14,23 115:5 115:11 161:20 162:21 163:1 166:4,8,13,23 174:21 activity 38:7 160:23 161:22,24 162:1,9,12,18,22 163:4 165:24 167:6,13 168:25 169:24 170:6,18 171:4 172:4,6,11 173:8,9,23 174:11 181:16 211:14 actual 61:19 197:8 213:25 217:9,21	actuarial 170:11 actuaries 16:8 21:13 139:3,7,10 139:23 140:13,14 140:17 141:3,5,9 143:7,7 170:1 171:23 actuary 139:8 ad 42:8 83:11 159:17 211:7,9 214:8 216:11 adapt 192:20 193:19 add 10:24 37:4,5 57:19 88:11 126:5 174:16 added 31:24 215:3 additional 20:5 30:24 31:20 42:9 63:11 84:11 93:1 116:16 126:17 190:1 234:23 address 59:14 65:4 248:15 addressing 143:18 adjourned 246:17 adjudication 165:20,21 adjudicators 16:9 adjust 53:11 141:19,24 143:7 209:9,11 adjusting 137:10 administer 28:4 administration 8:12 13:11,13 14:20,23,25 15:2 16:1 19:20 20:14 27:12,16,22 28:5,7 34:13 36:1 41:7 41:14,19 47:11	48:1,11 74:1 83:8 83:17 173:14 175:2,20 190:11 192:18,21,22 193:5 203:1 administrations 193:22 admit 190:25 adoption 223:24 227:7,12 229:1 234:3 adoptions 223:18 advanced 13:22 advantage 13:23 14:4 44:17,21,23 44:25 45:9 107:23 advisor 8:22 35:5 41:25 49:16,19 50:13 56:17,19 59:20 60:13,19,23 61:13,24 63:7,10 63:17 65:2,8,24 68:3 71:5,9,11,17 72:19 77:1 79:13 80:9 87:8 92:5,11 92:16 102:23 108:10 111:15 112:13 114:21 120:8 121:23 122:14 123:7 124:2,10 130:16 152:24 153:8,20 159:23 167:23 169:5 179:23 180:22 181:2,7,12 191:14 194:4 198:21 199:23 202:2 203:6,13,16 203:18 204:8,10 204:19,22,25 206:17 210:13	224:15 233:7 246:8 advisory 7:14,21 9:16 affect 16:14,19 142:3,19,22,24,24 143:1,8 156:5,5 172:11 affiliations 5:12 affirmative 41:12 240:25 affixed 247:15 249:15 250:21 age 109:9 112:20 agency 174:3 agent 31:8,9,10,23 31:25 33:21 36:12 36:12 37:3 53:4 112:5 130:17 172:10 173:11,20 174:10,12 207:18 212:14 agents 15:10 31:2 31:14 32:11 144:8 159:4,14 agile 154:4 agility 91:14,17 153:14,24 154:7,7 154:16,20,23 155:1 221:13 aging 13:24 ago 6:11 30:10 92:9 agree 4:18 15:22 16:11 73:14 86:5 100:6 104:7 108:1 108:10 114:20 121:8 122:13 125:8,11,11 127:16 138:17 144:24 146:19
--	---	--	---

[agree - application]

Page 4

147:9 153:19 164:10 167:2 171:4 174:11 193:4,21 201:24 221:11 232:7 242:13 agreed 103:24 220:9,10 agreeing 144:25 agreement 6:15,16 6:18 213:14,25 218:19 219:21 220:4,13 221:4 agreements 214:7 214:9 ah 10:9 ahead 33:11 46:23 126:4 176:15 237:1 al 4:23 76:1 117:7 171:24 algorithm 232:5 algorithms 207:25 alissa 70:17,18 alleged 219:2 allianz 12:9,12,23 12:25 13:8,15,16 14:9,10 15:4,6 16:2 17:4,6,10 23:8 32:22 100:12 100:16,17,19 101:8 137:8 allow 19:6 21:19 38:19 46:22 53:16 114:5 117:2 227:18 allowed 115:10 118:24 119:11 allows 21:24 46:4 114:21	alluded 122:1 alternative 198:25 199:2,16 201:21 202:1,2,7,11,15 203:5,9,17 210:11 212:12,18 246:2 alternatively 198:18 alternatives 67:14 198:9,12,15,19 amendments 213:15 america 12:15 183:8 american 1:9 12:13 13:8 17:9 49:5 56:7 amount 8:11 40:20 60:24 61:11 122:11,15 138:21 157:12 168:25 181:18 184:20 213:8 215:6 217:20 220:24 228:18 242:14,24 243:7 244:8 analogous 133:2 analysis 26:18,22 27:1,9,17 28:20,23 28:24 29:1 31:24 84:9 167:1,5 180:25 191:14 192:1 199:14 202:5 203:15 204:7,11 205:12 207:1 212:11,19 217:21 analyst 7:25 analysts 215:23 216:1	analyze 205:14 anchor 89:7 announce 5:11 annual 3:14 102:8 102:10,10,13,19 105:6,9,11 107:6 109:7,15 110:11 110:13 111:6 137:3 138:9,18 229:22 answer 7:1 27:10 28:10 50:17 54:2 61:14 62:1,3,4 66:12 67:5 71:25 72:21 75:7 83:15 103:9 118:5 126:8 128:23 129:6 145:7 146:15 154:15 155:5 156:15 157:5 158:1 182:5 210:6 219:18 230:24 240:4,6 241:19 243:1,2,25 answered 20:10 103:6 125:25 126:15,23 146:20 220:2 239:20 240:2 245:2,4 answering 134:19 241:13 answers 67:10 anybody 62:12 64:19 113:20 178:13 207:6 apologize 132:11 227:9 app 212:17 apparently 22:14 82:23	appear 151:25 152:1 249:11 250:15 appearance 5:14 appearances 2:1 5:11 appears 10:6 153:10 appended 250:11 250:18 appendix 186:16 186:16,22,22 187:3,10 188:8 application 12:5,7 19:8,9,14,22,24 20:1,9,10 21:19 30:3 36:2 37:19 38:17 63:13 68:21 68:25 69:1,2 70:3 71:13 72:2,13 73:20,23,24 74:8 74:17,19 87:13 88:9 92:18 96:15 111:17,24 112:8 115:14,15 117:9 132:13 170:25 171:1,1 172:7,8,9 173:10,19 174:6 177:1,7,10,17,19 178:18 179:23 180:22 181:1 186:8 187:20,23 187:24 189:21 190:6,9,15,17 194:18,20 196:8 196:19,24 199:6 199:18 200:22 202:16 206:6,10 206:12,19 207:4,7 207:19,20,20 208:2,13,19
--	--	---	---

[application - assumption]

Page 5

210:18 211:3,5,6 211:21 212:7,13 applications 11:22 11:24,25 12:2 15:13 19:6,17 21:5 35:11,14 38:3,20 62:25 66:21,22,23 67:15 67:18,20,21,23 69:11,13,14,24 70:4,6,14 74:25 75:2,5,8,11 77:9 77:14 81:25 82:5 82:6,13 91:5,10 92:11,17,22,25 115:9,12 116:8,15 116:19,22 117:2 124:23,24 133:14 149:16 159:12 160:16 165:14,15 174:4 178:7 179:9 179:11 182:7 184:22 185:5,8,17 185:25 186:18,24 187:13,16,18,25 188:15,20 189:8 189:17 191:13,16 191:17 192:13,16 192:17,24,24 197:3,13 199:11 199:21 200:4 202:3,8,19,20 203:6,18,21 204:9 204:21,21 208:14 227:13,16 228:2,4 228:6,11 229:6 234:4 246:7 applied 55:23 118:25 119:1 163:16,17 229:5 230:18 238:19	applies 161:5 228:10 apply 97:11 139:6 139:7 170:12 208:23 228:5 applying 170:9 230:25 appreciable 116:6 116:10,11 approach 23:14 24:15 35:4 59:4 143:4 212:16 appropriate 20:7 59:5 172:10 202:16 approvals 23:9 approve 14:16 20:9 208:24 approved 79:6 80:3 approver 80:5 approving 115:12 approximate 217:10 approximately 185:5,25 arch 243:7 architect 63:13 architecture 13:18 77:8 area 29:10 89:13 95:2 105:22 areas 41:18 95:13 95:17,19 164:18 164:20 argue 241:20 arguing 241:21 242:7 argumentative 239:19 240:1 241:9	arms 109:25 arp 195:5 arp2 195:3 arrangement 213:18 214:3 arrive 57:22 101:20 161:7 185:7 223:2 231:4 arriving 59:2 arrow 146:4 article 3:9,10,11 3:12,13 22:16,18 22:23,24 23:5,10 23:18 25:17 43:5 43:7,12,18 45:23 52:14 97:3,5,6 99:20,23 100:8 183:17 238:14,17 239:5,17 240:13 240:23 articulated 124:7 artificial 114:4 115:3 artificial 115:1 aside 74:22 123:24 131:21 132:1 201:24 204:18 asked 6:19 7:4 56:16 61:11 62:4 62:21 67:7 71:12 71:24 72:22 73:23 74:7 81:13 90:6 103:6 125:25 126:14,22 132:11 134:10 135:18 146:20 181:24 182:2 188:18 204:24 235:24 237:8,24 239:20 240:2 242:6 245:2 245:14 246:4,9	asking 6:24 58:9 58:10 63:8,19,21 66:2 92:8 121:24 128:17,19 135:25 137:14 217:2 240:7 243:24 aspect 28:22 54:7 54:9 101:2 171:25 239:3 aspirational 224:1 224:2,4 assess 123:14 135:20 172:7 209:7 assessing 123:13 125:8,9 assessment 148:12 asset 12:19 assignment 159:8 249:2 250:2 251:2 assist 53:13 181:13 associate 55:22 associated 27:5 31:12 46:16 78:20 80:1 81:3 88:22 162:12,22 163:5 182:7 199:6 233:18 assume 69:7 150:11 200:7 201:6 210:18 214:12 assumed 32:20 89:22 129:19 130:17 152:10 assuming 55:6 89:22 119:25 150:7 212:16 assumption 61:2 208:22
---	--	---	--

[assumptions - benefit]

Page 6

assumptions 131:19 attached 250:7 attendance 135:11 attorney 5:15 134:20 247:9,11 attractiveness 26:9 attributes 54:3 audio 4:16,17 authored 151:22 authorize 250:11 authorized 22:2 auto 27:24,25 37:4 54:20 automate 148:19 229:16 automated 70:9 194:17 195:3 automatically 195:21 196:5 automation 143:14,18,19,21 143:22 148:10 229:12,15 available 30:16 102:14 168:7 ave 248:1 avenue 74:10 average 24:6 184:5 200:18 201:5 avoid 16:18 18:21 54:3 228:14,15 230:19 aware 49:21 50:2 68:22 70:13 71:4 71:24 72:21 77:12 130:5 172:12 196:17 246:10	b b 3:6 186:16,16,22 186:23,23 bachelor's 55:25 back 15:7 16:4 29:19 34:14 37:11 40:6 50:12 56:15 59:23,25 74:21 77:20,22 78:15 83:16 94:12,20 102:14 105:10 109:3,20 110:11 110:14 115:23 143:6,6 149:6 150:15 158:21 172:17,25 177:20 177:21 188:4 197:16 198:3 205:4 206:21 208:3,11 211:19 212:17,22 221:7 235:4 240:12 248:15 background 55:19 87:25 backtrack 198:7 backward 110:18 bad 32:1 86:13 111:22 118:19 119:11,11 124:23 142:13 144:16 146:12 bakewell 62:14 ballpark 10:25 banking 8:5,25 base 158:6 based 14:14 19:10 20:8 31:22 32:2 35:4 50:23 58:1 58:24 61:18 79:21 79:25 84:21 85:11	85:12,13 88:14 101:23 108:2 117:15 118:13 119:3 120:12,14 121:16 122:13 134:7 139:23 141:3,17,25 142:8 147:22 160:18 161:8,14 162:20 166:4,9,18 167:25 170:20 183:2,6,10 184:17 196:25 198:21 199:7,19 203:19,20,22 205:7 208:1,4 213:3,3,13 216:24 217:19 220:22 221:5 223:5 224:7 226:8 231:9 233:13 234:14 236:20,22 bases 213:1 basic 50:7 190:24 191:8,9 basically 57:6,24 63:3 68:24 71:2 73:25 74:14 76:2 76:9 80:11 91:12 95:11 116:12 127:24 159:25 170:1 172:3,7 173:3,11,17 174:9 177:9 179:19 183:18 194:21 199:3,16 202:12 206:19 207:17 218:23 221:19 223:4 231:11 234:19 244:13 basis 79:12 132:23 136:8 137:6	162:20 166:17 167:15,22 176:3 181:15,19,21 186:13 206:18 212:22 213:22 215:10 218:22 221:16 becoming 33:17 beginning 5:14 40:7 109:4 150:4 158:22 198:4 believe 123:22 124:3 164:5 169:11 177:6,12 182:6 196:10 199:22 202:22 204:12 208:8 220:1 236:24 believed 226:12 benchmark 61:16 84:7,17 85:18,19 86:16 231:13 benchmarked 84:25 benchmarking 167:18 benchmarks 168:4 168:7 benefit 17:12 18:17 25:1 26:17 26:21 27:1,9,16 28:19,23,24 32:13 38:5 44:3 46:18 52:5 72:13 83:21 84:9 85:20 86:17 154:6,7 155:15 195:20 196:4 204:3 205:12 227:15 228:3,14 228:15 229:9,13 230:16,25
---	---	---	---

[benefits - break]

Page 7

benefits 32:15 43:13 51:13,14 73:19,20,21 74:11 74:13,14,24 75:13 75:15 95:15,19,21 148:9 153:20 196:18 221:12 223:14 best 8:16 25:13,22 30:21,25 42:18 55:15 better 15:17 18:22 18:24,25 19:1 23:20 24:9 26:2 36:13,18 37:12,16 107:18 144:11 147:10 148:7,12 166:12 208:21,25 209:2 230:10,10 230:11 beyond 35:7 43:16 92:11,17 241:10 242:5 big 222:8 228:14 bigger 53:15 89:23 biggest 189:21 bill 43:14,23 billing 8:13 14:19 41:7,14,20 42:9,18 45:11 46:3,9,10,11 46:12,16,18,19,21 46:25 228:23 billion 149:23 169:4 215:19 243:7 bills 43:24 44:3 billy 1:16 4:3,21 5:24 248:8 249:4 249:9 250:4,13 251:20	bind 175:3 binding 34:16 bit 58:9 72:25 75:7 137:24 143:25 144:20 166:12 244:20,21 blaze 18:4 35:5 41:24 49:16,18,22 49:24 50:13,21 56:17,19 57:7 58:18,20 59:19,23 60:13,19,23 61:3 61:12,23 62:24 63:7,9,16 65:1,8 65:24 66:21 67:14 67:17,18 68:3,23 70:13 71:4,9,10,10 71:15,17,25 72:1 72:19,21,23 73:4 73:12,14,21 74:4 74:16 75:2,11,16 75:17 76:11,11,15 76:25 77:1,10,12 77:20 79:2,7,13 80:8 81:15 82:5 82:11,21 83:10,14 83:18,21,23 84:2 87:8 88:2 89:19 89:22 90:7 91:4,9 92:5,10,16,20 102:23 108:10,17 111:15,17,20,23 112:7,10,13 114:21 115:2 116:7 120:8,17 121:22 122:4,14 122:24 123:1,7,13 124:2,10 127:24 128:21,21 129:5 130:15 131:9 132:13,20 133:2,6	133:14 138:5,13 138:20 152:24 153:8,20 155:13 159:2,22,25 160:3 160:5,11,18 163:10,19 164:8 165:6 166:3,5,19 166:22 167:12,23 169:5,12,15,21 170:2,4,15,24 173:4,18,19,19 174:5 178:17 179:7,16,18,22 180:22 181:2,7,12 181:12 182:3,21 182:22,25 184:23 188:9,19,24 189:2 189:10 191:13,22 192:4,11 194:4,6,7 198:13,16,17,21 199:10,11,22 200:10 201:5,6,10 201:13,22 202:2,7 203:6,13,16,17 204:4,8,10,12,19 204:22,25 206:11 206:14,16 207:20 210:2,13,25 211:11 212:13 218:12,12 220:9 224:15 231:23 232:8,10,12 233:6 233:16,21,25 235:17,18 236:4 237:17,22 238:2 243:20 244:4 245:17,20 246:7 blaze's 183:6 blend 129:9 board 33:2	bodies 212:4 body 229:17 boiled 101:1 book 83:9 106:12 175:3 193:6,8 booked 206:7 booking 34:15 83:13 175:11,12 206:2,5,12,17,22 206:24 207:4,7 bop 29:11 30:4,11 33:13,13 34:9 35:3 bottom 22:5 44:18 100:1 106:11 112:15 152:8 156:13 165:22 166:1 191:7 bought 93:20,25 94:1 boundaries 212:8 box 19:23 74:17 127:25 128:15 153:13 177:9,10 177:17,19 179:3 boxes 188:6,9 boy 149:5 brad 7:19,20 brand 195:11 branded 41:19 breach 219:2,17 breached 220:13 breaching 218:19 219:21 220:4 221:4 break 7:5 39:22,24 40:4 96:17 105:1 109:1 115:18,21 134:14 135:7 158:13,15,19 185:13 197:20,22
--	--	--	---

[break - called]

Page 8

198:1 206:1 216:3 234:23 235:2 breakdown 106:22 breaking 197:19 breaks 7:9 briclyn 7:14,21 8:4 9:16 bring 25:14 46:22 47:3 53:17 bringing 24:8 31:25 32:1,3 79:1 90:7 broad 75:6 164:13 broker 33:13,19 33:22,25 34:7,21 34:21 207:18 brokers 144:8 159:4 brought 23:13 47:21 92:20 129:11,20 224:12 bucket 36:20 build 28:4 29:12 40:23 100:1 187:13 building 24:1 29:18 buildings 136:21 built 8:14 13:14 30:17,19 33:14 49:24 50:6,10 bullet 87:20 155:8 158:2,8,10 229:2 229:11 230:4,14 bulleted 227:6 bullets 144:5 business 3:11,13 7:22,23 9:10 13:21 14:11,12 16:20 17:19,24	18:1,5,6,9,12,15 18:16,23,24,25 19:1,4,17 21:9 22:1,2 23:3,4 26:16 27:4 28:14 28:21,25 29:4,6,10 29:16 31:25 32:1 32:3,20,21 33:17 34:22 38:22 41:23 44:24 45:1,4,6,12 47:17 48:2 49:6 50:4,20,24 51:13 51:14 52:5 55:4,5 55:6,8 56:18 57:5 57:8,8,17,17,18 58:5,6 63:14 64:15,16,19,20 66:5 68:5,7,11,19 70:3,6,15 72:10,15 72:16,24 78:1,3,5 78:6,21,22 80:12 80:17,18,21,25 81:13 82:7,11,12 84:10,14,14,15 87:12,22,22 88:14 88:21 89:1,6,13,24 90:8,9,10,11,19,21 90:21,23 91:8 92:10 95:3,7,15,18 96:5 97:11,12,17 98:12 99:7,11 104:24 106:24 114:20 117:1,1 120:22 121:6,14 121:16,17,19 122:3 123:8 124:11 125:20 127:23 128:20,23 129:7,21,23,23 130:2 132:2,8 136:24 138:3	139:9 147:13,23 148:9 149:11,16 150:9,19,20 151:16 153:16 154:7,14 155:15 157:1,3,19,21,22 158:1,8 159:10,16 160:4,22 161:16 161:20,22 162:13 162:14 163:5,6 164:9 165:24 166:4,7,10,13,21 166:23 167:6,13 168:1 169:24 170:18,23 171:14 173:22 174:1,23 174:24 175:4,8,25 176:1,11,14,23 179:14 180:9,11 180:15,18 181:6 181:11,15 182:1 182:24 183:19,24 184:24 187:14 189:1,3 195:20 196:4,17,18,20,22 197:1,3,8,10,17 198:14,24 199:5 200:7 203:9 207:3 207:6,13 209:4 210:11 213:6,20 214:2 217:24 218:2,3,7,8,24 221:1 222:11,16 225:1,2,5,18 226:21 227:15 228:3 229:9,13 230:6,16,25 232:8 232:11,22,25 233:6 234:3 235:20 236:6 237:8,20,20	238:22,23,25 239:1,11,11,17,22 240:3,9,18 241:5 242:20,22 243:11 243:13,19 244:5 244:11 245:6,12 businesses 93:6 buy 9:1 18:11 24:19 33:20,21 87:24 212:6 buying 24:2 27:6,7 49:21 78:21 83:9 84:11 88:2 93:1 111:12 193:6,8 205:7,8 218:16 buys 8:6 byron 2:9 5:19 c c 4:1 11:21 12:22 12:23 189:19 ca 248:25 calculates 134:5,8 calculating 173:16 calculation 210:19 calculations 133:11 170:5 232:4 call 17:12 29:10 37:3 45:5 49:4 69:5,5,7 79:19 82:15 83:23 92:6 94:16 134:23,24 135:9,11 164:19 211:11 212:23 226:23 227:2,5 called 34:4 37:9 41:7 47:8,15,21 71:15 144:18 173:20 174:3 232:5
--	---	--	--

[calling - charging]

Page 9

calling 16:16	29:4,7,16 38:22	cause 55:16 57:11	chair 7:9
callout 153:13	56:15 58:17 60:7	247:7	chairman 107:22
calls 27:18 53:25	64:2,24 65:1,15	caused 118:25	chance 120:20
54:13 66:10,13,18	70:11 71:5 75:1	235:16 236:3	change 21:15,16
66:20 69:10 70:19	76:1 78:3,5,7,21	causing 21:17	51:17,18 52:7
75:21,22 76:4,18	78:23 80:21,25	cba 28:22	53:8 56:9 72:9
76:22 90:17	81:13 86:6 87:22	celant 216:10	83:5,5 88:11
134:10,10 147:11	88:14 89:6 90:21	cellphone 15:19	108:22 131:10,16
155:20,20 219:14	92:10 115:10	cellphones 4:14	131:23 154:3
242:16	120:12 122:3	cellular 4:13	156:4 172:16
canada 12:16	123:6 137:19	center 25:22	200:24 202:17
cancel 6:18	159:9 187:6	centralized 211:8	236:17 241:18,24
candidate 49:7	188:16 196:18,20	211:10	245:7 248:13,14
capabilities 23:20	197:1,3,4,8,10,17	ceo 33:1 48:24	250:8 251:3
36:13 47:2 93:1	202:20 207:3,6,13	107:22	changed 21:24
97:15 100:20	213:16 214:10,13	ceos 48:23	22:4 34:6 48:23
110:25 239:13	215:15 216:6	certain 14:2 31:12	52:9 117:17,20
capability 15:9	234:3 239:12	41:18 53:10 73:15	changes 21:10,14
30:10 36:10 38:2	248:6 249:3 250:3	76:10,14,24 83:14	21:21 22:3 37:1
44:22 57:8 88:4,6	cases 8:18 13:24	97:13 118:23	46:5,8,10,11 51:12
96:2 101:4,5	13:25 16:5 21:12	126:1 133:18	52:23 53:6,21
103:14,20 104:5	21:25 31:10 37:17	170:21 204:20	83:2 88:24 122:10
111:15 155:10	144:21 164:14	237:8	122:12,16 153:14
158:7 193:24	229:18	certainly 16:3	155:8,16,17,23
capable 57:15	cash 44:4 46:20	160:13	156:1,10,16
capacities 17:8	casualty 12:17	certificate 250:11	157:18,20 175:7
capital 18:10	17:18 56:7 160:22	certification 56:6	175:15 202:21,24
capitalization	161:3,9 162:19	56:8 249:1 250:1	203:2 248:12
25:24	166:18	certifications 56:4	249:7 250:7,9
capture 15:11	catch 67:4	56:11	changing 118:22
captured 173:12	categories 107:15	certified 247:5	156:7,7 157:18
career 8:15,19	141:1 161:22,23	certify 247:6,7,9	channels 230:15
carrier 42:11	163:11 165:24	cetera 8:13 16:9	characteristics
55:17 58:22	216:3	33:10 70:9 82:7	172:9
214:20 215:18,22	categorize 215:24	83:9 95:7	characterized
215:25,25 230:13	categorized	cgi 48:18,21 49:2	92:1
carriers 7:24 34:9	164:12	51:14 52:16 93:24	charge 209:11
42:8 216:25	categorizing	93:25 94:1,2,11,12	charged 10:22
case 1:4 4:24	206:20	94:13 95:8,9,15	217:20 247:13,13
10:23 11:17,23	caught 214:24	cgi's 55:2	charging 212:2
18:5,9,12 28:20			

[chart - company]

Page 10

chart 69:21 163:14,18,19,21 165:22 182:9 188:4,4,10 191:6 200:13	160:23 civil 249:5 250:5 claim 16:9 195:14 195:19 claims 8:12 11:21 13:14 14:19 34:16 41:14 42:9 55:1 114:7,8 138:1 139:15,21,22 140:20 143:1,1,5 157:13 162:1,4 165:19,20 169:18 228:22	collect 193:17 collected 175:9 collection 27:24 collectively 157:15 157:24 college 15:19 55:21,22 color 22:13 column 110:19 112:15 113:25 200:14 201:3 columns 200:17 combination 187:19 224:19 225:13 236:9 combine 224:20 combined 108:4,8 134:3,5,9 136:3,13 137:1,10,22 come 6:20 7:16 11:20 19:7 21:12 22:24 28:10 33:3 124:4 128:22 129:7,9 150:15 160:21 162:9 170:3 215:21 223:5 225:5 comes 83:16 146:13 147:6 170:25 172:7 190:16 208:1 coming 196:16 209:18 232:9 commencing 4:5 comment 114:25 145:1 commercial 13:12 17:23,25 18:2,15 23:2 29:11,13 30:4,25 33:18,25 34:1 35:2 90:21	111:12 194:12 207:9,15 commercialize 33:15 commission 35:4 136:23 249:19 250:25 251:25 committee 18:11 common 85:8,17 205:9,10 commonly 232:5 communicated 185:9 communications 43:11 community 29:12 30:20 32:16 comp 178:5 180:10 213:4 companies 8:6,10 12:15,18 21:8,9 25:2 33:16 34:19 35:16,20 37:23,24 38:1 44:21 47:19 47:20 58:22 94:10 134:2 148:24 149:11,15,18,19 150:6,7 151:1,15 180:12 183:7 205:6 226:2 company 1:9,9 4:23 6:17,17 7:15 12:18,20 14:9,10 16:24 17:3,7,14,18 18:19 19:11 21:23 23:21,25 25:9,10 26:4,6 27:3,14,25 28:1 33:15,24,25 34:23 38:19 44:8 44:19 45:4 47:3,7 47:15 48:5 50:10
charts 163:15 190:2 check 74:17 76:17 177:9,19 179:3 187:8 checked 177:22 checking 177:17 177:21 211:19 chief 12:13 33:3 chime 76:3 choice 32:8 chris 62:14 127:21 127:24 171:9 chubb 3:14,24 62:24,24 84:9,20 93:4,9,13,13,19,20 93:20,25 94:6,13 94:19 95:2,9,9,16 95:22 96:3 107:23 107:23 109:9 112:16,19 113:20 125:6 128:21,22 129:6,8,10 150:24 151:20,24 152:6 164:20 175:20 180:12,18,20 214:24,25 227:11 229:22 cics 56:13 cio 13:4 17:2,9,10 17:10 23:11 161:8 cios 23:24,25 cis 11:21 cite 160:24 cited 128:13 132:21 151:2,2,13	civil 249:5 250:5 claim 16:9 195:14 195:19 claims 8:12 11:21 13:14 14:19 34:16 41:14 42:9 55:1 114:7,8 138:1 139:15,21,22 140:20 143:1,1,5 157:13 162:1,4 165:19,20 169:18 228:22 clarification 27:11 76:2 185:16 clarified 76:5,9,13 clarify 7:5 32:6 59:15 75:25 76:23 77:14 claudio 92:20 132:19,22 185:9 claudio's 81:17 clear 93:8 104:19 237:25 clearing 207:16,17 cleveland 248:2 client 48:10 57:12 57:13 128:1,1 134:20 174:14 clients 44:24 214:11,16 215:13 close 93:18 cobol 56:13 code 151:16 202:13,13 coding 202:10,10 202:12,15 203:5 210:22 coe 91:25 colleague 49:4	collect 193:17 collected 175:9 collection 27:24 collectively 157:15 157:24 college 15:19 55:21,22 color 22:13 column 110:19 112:15 113:25 200:14 201:3 columns 200:17 combination 187:19 224:19 225:13 236:9 combine 224:20 combined 108:4,8 134:3,5,9 136:3,13 137:1,10,22 come 6:20 7:16 11:20 19:7 21:12 22:24 28:10 33:3 124:4 128:22 129:7,9 150:15 160:21 162:9 170:3 215:21 223:5 225:5 comes 83:16 146:13 147:6 170:25 172:7 190:16 208:1 coming 196:16 209:18 232:9 commencing 4:5 comment 114:25 145:1 commercial 13:12 17:23,25 18:2,15 23:2 29:11,13 30:4,25 33:18,25 34:1 35:2 90:21	111:12 194:12 207:9,15 commercialize 33:15 commission 35:4 136:23 249:19 250:25 251:25 committee 18:11 common 85:8,17 205:9,10 commonly 232:5 communicated 185:9 communications 43:11 community 29:12 30:20 32:16 comp 178:5 180:10 213:4 companies 8:6,10 12:15,18 21:8,9 25:2 33:16 34:19 35:16,20 37:23,24 38:1 44:21 47:19 47:20 58:22 94:10 134:2 148:24 149:11,15,18,19 150:6,7 151:1,15 180:12 183:7 205:6 226:2 company 1:9,9 4:23 6:17,17 7:15 12:18,20 14:9,10 16:24 17:3,7,14,18 18:19 19:11 21:23 23:21,25 25:9,10 26:4,6 27:3,14,25 28:1 33:15,24,25 34:23 38:19 44:8 44:19 45:4 47:3,7 47:15 48:5 50:10

[company - consider]

Page 11

53:8,22 57:15 65:16 77:21 86:10 95:14 97:19,24 98:3,5,8 101:2,4,5 103:21 136:5,15 141:6 144:8 147:20 149:13 151:19 156:9,15 157:11 158:7 161:3,9 162:19 166:19 174:8 183:4 196:1 214:1 214:2 215:6 218:20,23 219:23 220:5 221:5 225:16 228:17 235:20 244:14 248:6 249:3 250:3 company's 20:3 50:24 companywide 182:18 compare 107:14 compared 101:6 103:14,21 104:6 106:5 163:14 181:18 compares 171:2 comparing 50:22 214:3 comparison 105:17 106:11 compelling 109:9 112:20 compensated 10:19 compete 156:21 competence 104:17 225:22 238:14 240:13	competencies 25:8 59:19 96:20 97:6 97:10,13,17 98:15 100:2,4,13,16 101:9,14,22,25 102:6 104:20 105:12 106:25 107:11 221:22 225:23 226:13 238:15,20 239:6,7 240:17,20,24 242:12,13 competency 25:9 97:19,24 98:3,7,24 99:4,12,16,19 100:6,25 101:1 102:24 103:2,4,12 103:17,19,20 104:2,12,15 107:19 204:14 224:11,21,24 225:13,16 226:1,3 226:4,7,10 235:19 237:21 239:4,11 241:2 244:14,18 244:19,22 245:13 competes 194:11 competitive 44:17 44:20,25 45:9 49:16 53:11 54:20 107:23 156:11,17 competitor 203:12 203:16 competitors 26:2 46:24 101:6 103:15,22 104:6 complaint 58:17 complete 111:25 112:2 completed 248:15	complex 99:24 114:8 150:18 complexity 182:14 200:3,14,15 201:16 compliance 12:7 139:15 140:3,3,7 140:20 142:18,19 142:21,23,25 175:22,25 176:3,7 176:11,23,24 177:1,3,11,16 178:6 192:24 211:6,16,19 228:12,13 230:15 230:19,22 231:2 complied 20:3 177:23 179:10 comply 178:7 211:21 complying 211:15 component 35:7 35:10 42:1 43:15 45:14 47:25 68:23 82:1 89:23 116:17 186:15,18 188:20 190:1,20 components 29:21 29:22 35:14 49:25 74:4 82:4,4 183:22 184:22,23 186:17,19 187:11 188:7,8 189:20,23 computer 55:23 151:16 concentration 56:2 concept 97:9,10 136:3 204:18 236:16	concerned 134:19 concerning 247:7 conclude 92:8 166:3 184:16 concluded 65:7 concludes 246:15 conclusion 102:4 117:21 135:22 241:1 conclusions 236:13,18,21 237:5 238:2 concrete 15:1 condition 40:18 conditions 141:20 conduct 82:7 139:9 243:13 conducted 233:14 conducting 56:17 127:23 166:20 189:3 198:13 confidential 214:11 confirm 93:14 102:23 131:4 134:5,8 136:25 137:11 139:5,18 162:24 163:3,12 176:22 179:2 185:24 201:20 confirmed 130:1 132:19 138:15 140:11 confused 144:18 connected 198:22 connection 6:13 116:7 174:13 consider 11:23 103:1 112:25 129:13 130:13
---	--	--	--

[considered - correct]

Page 12

considered 59:13 142:16 192:25 219:3 considering 26:22 27:15 consisted 35:13 consistency 91:17 211:8 221:13 230:14,21 consistent 119:17 148:14 213:19 231:1 236:13 239:5 consistently 146:16 221:18 228:5,12 229:5 230:18 constantly 176:2 constrain 16:6,10 consulted 138:16 consulting 7:15,23 8:2,3,16 59:7 contact 230:15 contacting 213:18 contain 222:1 contained 223:10 content 120:15 140:9 152:11 contention 133:5 contents 63:24 context 37:25 115:3 153:25 154:2,16 155:2,11 156:10 158:4,5 231:22 240:9,11 continue 4:17 13:25 134:17 continuing 112:18 114:2 183:5 contracting 130:21	contracts 215:11 215:14 contractual 214:3 contribute 60:14 60:20 86:4 116:8 116:22 117:4 167:23 224:16 contributed 58:20 61:1 167:21 235:17 245:17,20 contributes 60:24 108:4,11,12 154:21 204:12 contributing 110:24 112:23 113:22 contribution 204:18 contributors 106:20 control 153:17 158:9 controller 77:20 78:2,9 conversation 80:6 90:18 92:12 135:2 135:6,20 138:15 140:1,4,12 160:1 conversations 4:12 64:2,8 92:19 92:19 226:18,20 converse 233:5 converted 68:6 170:24 coo 33:9 copies 10:9 22:13 247:13,14 copy 9:23 10:4,16 core 11:11,14,18 11:23 12:1,6 25:8 25:9 59:19 96:20	97:6,10,13,17,18 97:23 98:3,7,15,24 99:4,12,16,19 100:1,4,6,12,16,25 100:25 101:8,14 101:21,25 102:6 102:24 103:1,4,11 103:17,19,20 104:2,12,15,17,20 105:12 106:25 107:11,19 192:12 192:17,19,23,25 193:1 204:13 221:22 224:11,21 224:24 225:12,16 225:22,23 226:1,3 226:3,7,10,13 232:3 235:19 237:21 238:14,15 238:20 239:3,5,7 239:11 240:13,17 240:20,23 241:2 242:11,13 244:14 244:18,19,21 245:13 corporate 85:6 96:6 222:21 corporation 1:6,6 1:9,10 4:22 240:14 248:6 249:3 250:3 correct 10:21 16:13 18:8 21:2 22:21,22 25:16 26:24 32:24 38:9 38:21 40:14 41:9 41:21 43:13,18,25 44:1,13 45:13 47:20 48:7,19 49:11 52:19,24 53:1,23 56:23	59:21 64:7 69:23 72:3 73:6 76:16 78:10,12 83:6 85:14,19 86:23 91:2,6 92:2 93:9 93:11 94:5 97:19 97:22 99:8 101:7 105:13,14 108:13 110:6,7,13 111:7 111:16 112:13 113:15 115:7 117:10 119:21 121:2,18 123:11 125:13,14,23 127:13 128:23,24 129:6 132:4,17 136:12 138:19 140:8 142:16,17 145:23 146:17,19 147:19 149:9,13 150:22 151:3 152:25 153:9 154:13 155:3 156:23 159:6 161:2,19,25 162:6 162:15,16 163:13 166:6,25 168:3,20 170:10 172:2 175:12 177:18 178:1,8,9,19 180:8 180:13,16 181:3 183:12 184:3,11 185:6 186:12 188:13 189:6 191:18,25 192:1,2 192:6,7 193:7,9 195:6 200:12 201:22 202:4,9 203:8,23 205:14 205:25 209:1,3 211:1 212:10,20
---	---	---	---

[correct - decisions]

Page 13

212:25 215:15 216:17 217:22 219:6,7,12,22,24 221:14,15 222:1,9 222:13 224:6,22 224:25 229:9,20 233:6 234:4,5 238:12,13,15 239:8 240:15,18 240:19,24 241:4,7 245:23,24 246:2 corrections 248:12 250:17 correctly 57:12 120:1 141:13 correlation 165:25 cost 26:17,21 27:1 27:9,16 28:19,23 28:25 63:17 84:9 85:20,20 91:18 180:20 205:12 221:13 227:12,16 247:12 costs 229:12,14 counsel 5:10 63:24 64:5,9 135:12,14 226:19 227:3,3 247:9,11 count 85:22 160:15 181:8 182:20,22 counted 161:20 162:4 country 176:9 county 247:3 249:10 250:15 couple 48:16,16,25 60:9 69:10 235:9 course 59:7 114:15 123:8 124:11 159:16	court 1:1 4:24 5:5 5:20 7:1 249:7 cover 8:1 coverage 15:8 117:17 119:1,2 141:10 142:6 154:12 coverages 28:1 craft 105:22 106:1 create 24:3,24 30:19 79:5 80:16 82:25 123:19 167:19 236:8 created 85:1 208:1 235:22 creates 190:17 235:20 creating 50:23 226:4 creation 54:9 creek 190:6 criteria 20:6 143:6 170:21 171:3 195:2 202:24 critical 24:11 54:21,21 csi 11:19 70:8,24 71:9,17,23 72:20 73:2,9,15,24 75:24 80:22 82:1 87:13 91:1 92:12,17,24 115:14 160:17 170:25 174:2 186:15 187:25 188:11 189:6,22 190:5,14,16 192:19 193:3,3,22 194:13 195:4,7,8 197:5 199:22,23 200:11 201:22 234:4	customer 29:14 30:15 31:8,9,11,12 31:24 33:7 37:3 46:19,25 52:16 94:17 111:10,17 111:19,22,25 112:2,9 154:9 158:6 208:7 233:22 customers 26:2 29:13 30:21 39:2 39:7 42:12 45:3 46:4,22 48:4 51:3 51:7,7 55:4,9,12 153:16 158:3 159:13 195:17 cut 229:11 cutting 229:14 cuw 11:21 66:24 67:6 68:18 75:25 76:5,15 189:19 207:21 209:15,25 cv 1:4 4:25 cycle 36:3 38:10 38:16 229:12,14 d d 3:1 4:1 daily 162:20 181:15,19,21 darden 56:9 data 15:11 25:22 50:22 119:15,15 122:6 124:8 125:5 131:17 132:8 133:3,10,11 174:6 183:11 190:16 196:15 207:25 208:1 218:10 222:20 223:11,12 database 206:8 210:25	date 10:23 248:8 249:3,9,19 250:3 250:13,25 251:20 251:25 dated 22:18 dave 2:22 5:3 dawn 149:4 day 56:18,18 123:8,8 160:4,4,4 160:4 166:21,21 189:3,3 198:13,13 247:16 249:16 250:22 251:22 days 248:18 db 50:6 deal 211:24 212:1 deals 176:5,6 dear 248:10 decide 19:17 142:7 208:4,23 209:12 209:13 decided 6:17 49:1 49:23 deciding 27:2 decision 26:16 71:18 83:14 119:16 124:14 142:12,14 145:4,4 145:22,23,23 146:4 152:22,24 153:1,4 172:16 227:13,16 228:1,3 228:21 230:4,8,11 232:9,12 decisioned 38:18 194:25 decisionpoint 70:8 196:7,8,9,19,24 206:2 decisions 19:25 50:23 71:21
---	---	---	---

[decisions - directly]

Page 14

118:20 124:15 142:11 149:13 150:20 162:13 163:5 181:11,20 182:25 204:4,9,20 205:1 222:19 225:4 230:9 decrease 39:12 52:22 119:23 120:4 decreased 118:6 126:18 decreases 118:2 142:14 deed 249:14 250:20 deemed 248:19 deeper 75:7 defendants 1:11 2:13 5:19 deferred 63:13 define 103:19 166:7 225:23 defining 183:18 definitely 169:10 definition 134:7 164:19 216:8 226:10 241:6 degree 55:23,25 delaware 1:6 delete 88:12 deliver 26:1 97:14 99:18 deliverables 131:12 delivered 14:2 delivering 221:18 delivers 204:14 delivery 13:6 33:10	dell 48:6,9,11,15 48:21 49:2 demo 67:20 demonstrate 192:4 department 27:8 43:10 248:22 depend 27:4 depending 117:25 142:11 172:8 216:2 depends 27:20 132:5 155:22 156:6 187:19 195:24 200:6 210:6 232:16 deponent 247:6 deposed 6:7 deposes 5:25 deposition 1:14 3:15 4:2,16,21 5:1 6:23 128:12,25 132:16 152:4,15 171:9,10 172:21 172:22 175:18 237:12 246:16,17 247:10,13 248:8 248:11 249:1,3 250:1,3 depositions 63:4 63:20,21 76:1 127:21 171:18 173:1 179:1 derivative 131:3 describe 170:18 described 20:13 171:5 237:17 description 216:11 descriptions 171:13 178:25	designating 85:10 detail 29:20 95:17 106:22 113:11 detailed 78:6 determine 19:7 20:7 31:25 61:11 61:19 100:16 110:1,12 112:9,12 123:16 141:9 175:6 180:25 181:9 191:15 199:9 202:6 203:15 204:7,25 210:22 212:11 224:3,4 245:18 determines 98:1 206:7 determining 90:4 168:22 develop 58:12,15 105:11 130:3 141:19 171:19 230:8 developed 18:5 35:8 129:5 130:2 130:3 132:6 170:11 186:9,19 230:11 developing 25:14 113:1 130:13 161:15 207:4,7 227:13,16 development 9:14 9:15 53:20 93:6 129:8 138:6 164:22 165:8 169:22,25 171:14 190:22,23 217:4 diagram 160:19 160:21 161:1 190:3	diagrams 82:1 difference 20:23 41:17 different 23:19,23 24:16 28:1,8 29:21 35:6 41:16 46:16,18 50:13 58:10 65:13,18 66:18 73:1,21 77:14 86:3,13 93:2 99:9 133:20 136:4 144:23 145:5,6,9 147:24 154:11,12,25 158:9 163:15 164:20 165:18 171:25 185:17 188:19 193:25 194:1,1,2 196:16 201:4 208:17 227:25 229:21 242:18 246:2 differentiates 28:2 differently 244:21 difficult 86:11,17 167:11 200:6 205:14 224:8 difficulties 236:1 digital 109:9 110:24 112:20 direct 69:6 143:3 directed 59:22 directly 34:18 48:3 58:4 61:1 63:5,10,19 65:25 85:25 86:1,9 94:13,14 102:1 116:13 137:15 152:4 169:12,15 234:10 236:5
--	---	---	---

[disagree - efficiencies]

Page 15

disagree 110:8 111:2 113:8,10 114:10,17 146:7 164:10,13 229:1	216:10,13 237:2	drawing 241:1	earnings 106:20
discern 152:5	documentary 182:23 184:17	drill 166:12	ease 44:24 45:6,6
disclose 177:7 179:3	documentation 61:22 62:5 168:19 184:21 188:23 246:9	drive 57:9 64:16 120:15 125:21,23 126:21,24 127:17 224:10 230:9,13 237:19,22,23 239:7	easier 45:1 205:20 205:23
disclosure 177:6 177:23 179:2	documents 58:17 59:12 61:6 64:24 65:1 68:4,7,10 70:11 76:1 77:15 79:17,20 81:7,8 82:19,22 83:4 91:8,11 102:4,5 120:12 121:20 122:1,5,14,19 137:13,17,20 152:1,2 179:1 184:25 185:24 186:1 196:21 197:2 214:13,15 216:5,7 234:1	driver 25:7	easily 179:20
discounts 212:3		drives 57:6 58:7 125:19 222:10 239:2,15 244:14 244:22	easy 27:10
discuss 71:7 139:3 153:11 198:9 234:18		driving 57:15 58:1 89:24	economic 31:23
discussed 62:22 77:3 172:2 184:13 223:8	doing 6:19 35:18 44:24 45:6 53:2 88:1,3 155:15 160:14 205:2 206:22 215:9 221:1,17,18,20,21 229:17,23 243:22	drools 194:6,8,9	ecosystem 86:20 86:22 89:23 184:20,24 192:8 205:4,22,24 225:1 234:20 235:19 236:10
discussing 95:5 152:21		drove 126:17	educate 152:14,16 152:18
discussion 75:24 76:12 95:12 129:25 171:17 173:1 210:17 211:17	dollar 85:21,21 149:23 217:20	dts 1:4	education 11:8
discussions 114:2 125:6 182:19 209:24	dollars 63:11 114:15 136:14,16 169:4 215:4,19 217:10 243:8	duck 190:6	educational 55:18 56:3
dispute 92:5,7 204:19	domain 129:15,16 129:16,19	due 235:13,16,25 235:25 236:3,16 245:16,19	effect 54:24 123:18 143:3,5 157:21,22 206:12 206:14,16
distribution 8:13 34:14 193:13	dots 163:9	duly 5:25	effectively 243:22
district 1:1,2 4:24 4:24	downward 117:17	duties 12:12 13:4 17:1,15 33:5 141:16 142:3	efficiencies 15:16 15:21 18:14,17 19:3 35:23,25 65:5,7,10,12,13,19 79:5 80:17 82:19 82:24,25 83:1 84:12 85:12 91:15 92:2,4,6 114:4 122:24 123:1 124:5 144:9 167:12,20,24 168:3,5,18 169:12 169:15,15,17 195:22,23 223:25 224:1,2,5 231:7,12 231:17 234:9,16 235:13,16,25 236:3,12,17
division 92:21	drag 231:17	dynamic 49:13,14	
divisional 78:2 214:1		dynamically 154:3	
document 3:20 89:24 105:15 124:6 145:16 152:6,11,12,13 163:22 164:4 172:21,25 182:15		e	
		e 2:5,11 3:1,6 4:1,1 12:21 187:4,6	
		earlier 82:25 87:4 103:18 110:11,13 184:14 211:17 216:15 221:23 224:7 225:12 234:6 237:24	
		early 15:14 81:6	
		earn 31:15,22 32:2	
		earned 136:16	

[efficiencies - example]

Page 16

245:16,20	247:9,11	engine 20:17,24	escapes 234:6
efficiency 14:14	employee 134:24	21:7 35:9 49:14	essentially 17:15
14:16,17,24,25	134:25 143:15,23	50:20 51:1 53:18	22:4 24:15 34:23
15:2 51:16 53:3	144:1,6 234:2,2	133:9 148:19	44:7 119:23
57:10 58:2 95:23	247:10	150:7,8 152:19	125:12 195:5
122:7,9 143:21	employees 9:16	159:14 183:24	208:25 240:14
146:8 167:21	66:4 121:21 125:7	203:10 212:18	estimate 222:4
168:22	139:19 140:22,23	215:5,7 217:1	et 4:23 8:13 16:9
efficient 15:12	140:25 151:18,19	243:21	33:10 70:8 76:1
88:9,10,16,18	152:16 159:3,5	engines 159:19	82:7 83:9 95:7
217:24 218:4,8	160:9,10 162:14	203:20 214:8	117:7 171:23
effort 100:15	163:6 171:12,22	enhance 100:4,6	evaluating 101:23
167:4 168:2	223:6	111:10 121:1,9	eventually 87:7
eighth 2:3 4:4	employer 6:14	238:20 239:7,18	evidence 61:5
either 20:9 64:9	employing 27:14	239:24 240:7	113:16 114:24
113:6 120:19	27:15	241:3,6,16 242:1	118:16 120:5,6
126:17 177:14	employment 150:3	enhanced 239:21	122:17 125:4
187:12 201:17	employs 140:14	enhances 238:15	126:16 133:17
electronic 43:14	244:9	238:16,17 240:23	137:13 169:7
43:23	enable 29:3 228:1	enhancing 244:17	204:4 222:22
elevate 230:4	enabled 71:9	entered 250:9	evidenced 223:7
eligibility 196:12	75:11	enterprise 152:22	evidentiary
eligible 196:12	enabling 73:14	152:24 153:1,3	133:24
eliminate 16:3,3	228:3	entire 234:20	evolution 149:4
eliminating	enclosed 248:11	235:19 249:5	192:20 193:18
114:13 115:5	encompassing	250:5	ex 33:1
elixir 47:8,10	24:13	entitled 109:8	exact 66:9 84:23
ellen 66:16 68:22	endorsement	enumerated 162:8	130:12 147:5
74:14 140:4 160:1	34:15 36:1,5,14,18	environment	180:1 184:9 186:4
178:22 179:13,17	36:25 37:1,12,16	24:12 25:3 62:23	186:5 243:19
212:24	174:20 196:14	218:7	exactly 14:5 23:1
email 248:17	200:24	epolicy 32:23 33:2	50:8 69:18 105:20
embedded 20:16	endorsements	33:5,12 34:17,24	examination 3:3,4
20:24 21:3,5	36:7,8,9,10 37:9	40:10,16,17,19	6:3 235:10 238:9
72:12 149:15,25	37:10	41:1 94:7	example 11:17
embedding 212:17	ends 160:5 177:20	equipment 136:21	26:8 28:24 38:14
emerging 15:15	enforce 230:14	eric 7:19,20	46:13,24 53:7
empirical 124:8	engaged 130:6	errata 248:13,18	76:5 97:24 117:16
employ 149:11	engagement 91:3	250:7,10,18 251:1	118:20 119:7,22
employed 7:12	engagements	error 69:16	120:7 121:22
179:22 183:25	131:13 217:7	119:22 172:20	156:19 162:3

[example - externalizing]

Page 17

164:15 169:20,21 183:23 187:25 189:19 222:18 227:21 230:1 examples 8:9 15:1 15:1 144:6 222:15 excel 74:18 133:2 133:7,9,13,18 177:24 178:19 179:6,20,24 180:21 exception 144:12 exceptions 27:24 excess 184:10 exclusive 65:23 excuse 48:23 execute 20:5 112:18 executed 181:15 200:21 250:10 executes 171:3 execution 249:14 250:19 executive 40:18 51:8 93:21 94:14 137:8 executives 56:6 exhibit 3:8,9,10,11 3:12,13,14,15,16 3:18,20,23,24 9:21 10:1 22:9,11 43:1 43:3 45:19,21 52:11,13 87:1 96:23,25 105:3 128:7,9 145:12,14 151:11 164:1,3 182:11,13 192:16 199:20 202:3 203:7,18 209:25 223:15,24 227:9	exhibits 68:4 existed 179:18 existing 38:25 55:4,11 82:13 141:19,25 142:6 exists 111:6 expand 8:8 94:24 95:9 expanded 91:4 92:21 expanding 89:13 197:7 expect 31:16 32:17 expectation 119:17 expecting 32:19 expended 217:7 expense 14:15,15 15:24 16:18 18:21 60:20,24 61:2,5,9 61:12,15,19,23 63:7,17 65:20 84:13 88:22 107:24 108:12,17 108:20 112:24 114:14 125:2,5 127:6,10 136:19 136:22 138:2 142:16,17,24 143:5,5 168:9 180:20 235:23 expenses 15:25 85:19 86:17 121:23 123:11,15 124:2,13 125:13 125:17,23 126:21 126:24 127:12,16 127:16 136:15,17 136:18,20 137:1,2 137:11,21 138:1,2 143:6 169:4	205:17,18,20,23 219:5,12 220:11 220:16 235:13,16 235:18,25 236:3 236:16 245:16,19 246:5,6 experience 6:23 21:17 24:7 26:25 49:18 53:4 56:3 57:24 65:10 101:23 111:11,19 111:22,25 112:1,3 112:9,12 116:4 118:13 119:3 121:17 134:1 137:7 141:4,17 142:8 147:22 151:18 156:12 161:8 162:21 183:2,2,7,10,16,20 184:17 203:19,22 213:3,24 215:4 218:16 226:9 231:10 234:14 236:20 experienced 122:15 expert 1:14 3:8 4:3 8:18 9:23 10:23 59:4 60:7 71:7 230:5,8 expertise 98:20 99:13 100:21 129:21 139:2 experts 62:14 150:19 expiration 249:19 250:25 251:25 explain 12:11 19:4 38:13 43:22 44:2 46:7 53:12 107:6	128:13 137:21 199:2 205:10 229:13 explaining 197:2 241:17 explore 220:2 express 11:19 59:11 70:8,24 71:9,17,23 72:20 73:2,9,15,24 75:24 80:22 82:2 87:13 91:1 92:13,18,24 115:14 160:17 174:2 186:15 188:1,12 189:6,22 190:5,14,16 192:19 193:3,3,22 194:13 195:4,7,8 197:5 199:22,23 200:11 201:22 234:4 expression 132:3,5 expressly 65:1 extent 50:15 external 64:6,9 96:1 135:12 136:19,22 138:1 215:8 227:3 externalization 72:14 externalize 52:1,4 79:4,14 80:13,16 80:19 82:12 88:18 90:4,8,9,11 155:14 229:8 externalized 20:17 20:20 21:3 41:23 45:12 50:4 82:20 95:24 externalizing 51:11 52:6 91:15
--	---	---	--

[externalizing - figure]

Page 18

122:2	featured 138:19	152:8,10,16	167:13 170:6
extranets 30:18	features 19:15	155:12 159:3,4,18	171:22 176:22
ezer 193:18	31:7 41:24 43:12	159:24 160:9	181:6,11 182:24
f	71:8 75:10,13,16	161:1,5 162:14,21	191:23 242:11,13
fact 6:20 111:20	88:25 141:25	162:24 163:3,6,12	243:11
120:16 159:22	178:17	164:21 165:5,21	fee 214:20
162:25 163:4	fed 3:17,19,21	166:23 168:1	feed 143:6
167:19 171:11	69:17 172:24	169:20,21 170:14	feedback 39:1,4
176:12,19,24	181:17 185:11	171:12,16 175:21	42:12,17,20 46:25
177:3,12,13,18,21	189:10 208:3	181:13,21 182:18	96:3 199:19
221:5 223:5	federal 1:9 4:22	183:11 184:7,18	feeder 206:9
245:19	11:17 57:4 59:18	184:25 185:4,7,24	feeds 206:8
factor 108:20	60:15,21 61:22	192:5 194:3 195:6	feel 7:4 22:13
factors 91:20	63:6,18 67:19	196:1,23 197:3	102:18 109:20
111:18 112:9	82:1,10,13 84:2,15	199:10,24 200:9	120:24
facts 226:20	85:13 88:5,15	203:21 204:10,22	fees 214:18,18,19
factual 66:14	90:3,15 91:3 92:9	206:13 207:24	215:2,2 219:10,11
135:16	92:15 93:9,13	208:11,14 209:5,9	220:8,14,21,25,25
fair 1:6 4:22 5:17	98:13 99:4,5,10,17	210:4 211:23	221:7
152:20 242:3	101:14,24 102:7	212:7 213:15	felt 49:17 123:19
248:6 249:3 250:3	102:25 103:2,4,13	214:17,25 215:1	197:14
fall 140:25	104:2,4,12,15,17	216:23 217:8,14	fewer 127:12
familiar 22:16	104:20,23 105:13	218:18,23 219:9	fico 2:17 3:25
43:5 45:23 52:14	111:16 115:6	219:11,20 220:3,6	91:24 128:5,19
97:3 145:16	117:12 118:8,15	220:13 221:3,6,22	129:22 130:2,14
196:13 231:24	118:18 119:8	222:2,15 223:6,10	131:1,11,18,24
family 7:19	121:17 122:14,16	223:13 225:13,22	132:7 138:4,12,15
far 78:13,24 79:22	122:25 123:1,9	226:12,21 231:6	150:7 151:25,25
fast 221:17	127:22 128:20	233:15,17,21	163:14,18,19
faster 15:22 18:18	129:22,24 130:2	234:15,19 236:23	165:18 204:2
18:18,19 36:21	130:15,17,20	238:1 239:12	213:15 216:22
37:17 38:8,20	131:1,2,18,19	242:24 243:18	217:6,13,20,21
83:8 122:10	132:19 133:6,13	244:8 245:10,19	218:19 219:8,23
124:20 155:16,17	134:5,8,24,25	245:23,25 246:5	220:4,13 221:4
221:20 244:20	136:13 137:1,9,12	248:6 249:3 250:3	223:11,12,19
fax 2:5,11	138:21 139:5,7,8	federal's 56:18,19	fico's 153:4 164:8
faxing 15:13	139:18,19 140:13	75:4 82:23 83:20	164:10
feature 23:10	140:14,25 142:19	98:15 101:21	field 59:1,3 85:18
26:23 36:15 51:21	143:2 146:24	115:15 116:6,8,23	154:8 156:2
210:14 230:17	147:18 148:1	132:8 138:6	figure 36:20
231:23	151:20,24 152:1,6	150:17 166:4,7	160:13

165:15,23 171:14 179:24 193:6,8 237:8,13 fund 12:20 13:15 16:23 17:1,2,5,6 17:11,16,17 20:12 22:20 23:8,11,15 28:7 30:22 33:2 100:18 149:23 150:9 fundamental 57:4 further 20:6 235:7 furthermore 247:10 future 110:1	224:20,22 243:6 243:16 244:8,24 generated 65:16 117:6,9,18 118:7 132:19 207:1 242:14,24 243:7 generates 59:18 175:13 generating 85:23 86:6 176:6 209:5 225:9,11 generation 168:9 196:14 240:18,21 generic 163:20 164:13 geography 106:24 getting 55:13 126:8 174:4 210:8 230:8 ghislanzoni 81:18 81:19,20,21,21,22 185:9 give 8:9 11:17 15:1 32:9 45:4 46:13 46:24 53:7,7 67:10 79:18 117:16 118:20 153:16 156:19 158:8 163:23 175:24 227:21 231:22 given 184:11 gives 44:21,23 73:11 giving 36:9 105:24 147:21 glasses 190:25 191:12 global 48:22 161:8 globally 13:1 47:8	go 4:18 9:9 10:24 20:2 21:1 23:8 27:8 29:19 30:15 31:7 32:22 33:11 36:20 37:5 49:23 53:17 61:13 67:22 74:21 75:6 76:17 84:18 90:3,10,20 102:14,18 104:25 105:19 108:23 109:20 110:14 111:18 119:5 126:4 160:14 179:8 188:4 194:15,24 195:2,3 195:7 201:14 205:1 212:17 237:1 goal 122:19 124:6 154:22 155:1,4,5,6 196:22 goes 21:23 210:2 going 4:9 6:21 9:19 39:20 40:2 53:19 75:6 80:23 86:7 98:1 106:14 108:24 115:19 126:2 134:15 135:18 141:9 158:17 170:2 173:22 174:14 176:21 181:4 197:16,24 201:10 201:13 210:5 211:14 212:17,22 219:17 220:8 234:25 242:5 good 4:8 6:5,6 27:11 31:25 32:3 38:4 99:1,1 112:22 113:13	142:12 202:15 228:7,9 229:3,4 gosh 190:25 gould 2:3 4:4 5:2 5:17 17:13 governance 21:23 government 136:23 graduate 56:9 granular 216:3 great 195:19 greatest 25:3 green 37:23 greenberg 107:22 110:5,9 114:3,18 greenberg's 111:3 113:8,20 gross 60:14 63:11 116:9 117:13 118:9 120:9 136:14 156:22 193:15 204:4,5 231:7 ground 25:15 group 68:19 72:8 75:22 76:4 78:12 139:12 162:8,12 163:4 groups 107:14,15 139:17,19 140:19 140:22 161:24 162:2,23 165:23 grow 107:3 120:23 121:19 141:23 157:1,2 growing 89:13 100:22 106:15 107:8 growth 16:6,10 65:8,9,11,13,14,19 66:1 83:22 84:21
--	---	--	--

[growth - hm]

Page 21

106:12,13,17,19 107:9,9 112:24 113:23 116:23 117:15 121:2,9,13 138:6,9,14,16,19 204:12 234:11,17 238:12 239:8 guarantee 121:12 guaranteed 16:21 guess 48:17 65:22 78:3 90:17 99:22 132:5,21 153:2 165:2 191:11 195:25 207:2 guidelines 20:4 guy 78:7	handling 37:12 195:23 hands 72:15 happened 70:19 118:15 119:4,10 223:10 happening 113:15 119:7 happens 222:5 happy 7:9,9 96:6 96:10,13 115:16 hard 61:1 85:21 202:10,10,12,14 203:5 210:22 harm 57:12 harmonization 99:24 harmonize 101:18 harvard 3:13 239:17 harvest 171:20 harvested 171:11 head 7:2 26:16 41:12 240:25 headache 85:6 headed 109:13 heading 110:15 heads 24:1 225:6,8 hear 210:14,17 heard 99:10 232:24 heather 2:6 5:16 39:20 135:6 235:6 242:3 held 5:1 84:8 85:3 85:3 helen 68:16 74:14 140:5 160:2 178:22 179:17 212:23	help 8:5 19:16 24:20 40:23 55:3 55:5,11 94:7 105:18,24 144:1 144:10 149:12 168:19 200:13 209:9 helped 33:24 37:15,15 46:22 77:14 helping 9:5 15:16 15:21 35:15 43:7 helps 44:19 143:14 143:18,22 211:21 212:7 hennepin 247:3 henry 90:17 129:25 132:22 152:15 171:9 hereto 247:11 high 184:4 200:2 200:14 203:2 243:5 higher 108:6,8 114:6,22 115:11 127:13 169:10 229:23 highlight 138:12 188:3 highlighted 234:9 highly 54:19 hire 16:12 210:4 hit 145:24,25 177:10 hkliebenstein 2:5 hm 6:25 8:23 9:7 9:25 11:10,13 12:10 13:3 16:25 21:19 22:12,15,15 22:19 25:18,21,25 26:5,14,19 27:13	28:16,18 30:1 43:4 44:14 45:22 46:2,6 49:9 51:20 54:8 56:21 58:13 73:3,5,7 77:24 81:23 82:14 87:2 89:9,11,15 96:19 96:21 98:14 100:3 103:23,25 104:3 107:21,25 108:5 109:10,24 110:4 110:20,22 111:1 111:14 112:17,21 114:9 117:14 118:11 127:2,5 128:11,17 129:1,3 129:12 135:13 137:5 138:24 139:4 143:13,16 143:24 152:23 153:7 156:18 158:12 159:1,21 160:8,20 161:11 166:2 167:3 170:17 173:7,25 174:19,22 175:23 180:14 182:4 183:9,14 184:1 185:3 190:4 192:14 193:20 194:14,16,19 196:2 198:10 199:1 201:11 202:18 203:11 204:1,6 206:4 207:11 210:3 213:12,17 214:21 218:1 220:12 223:1 227:14 233:20 234:12 235:14 237:11
h			
h 3:6 half 80:7 149:24 149:25 hand 149:6 handed 128:9 handful 66:9 handing 9:23 22:11 43:3 45:21 52:13 86:25 96:25 145:14 164:3 182:13 handle 20:13 23:20 36:13,14,18 144:2,2 146:11 194:1 227:22,23 229:19 handled 72:8 73:12 83:11 143:11 207:22 209:16 210:15 243:9 handlers 114:7 handles 83:17			

[hm - increase]

Page 22

238:18 240:16,22 242:23 hold 60:2 home 18:22 homegrown 50:9 202:13 honest 70:12 177:25 honestly 47:24 68:14 150:5 hopefully 18:22 19:3 58:3 157:8,8 hoping 196:23 hour 10:20 39:20 80:7 201:18 hours 79:9 217:6 217:12 house 226:18 227:3 hum 116:21 human 15:16 16:8 55:25 119:22 145:2,3 146:9 195:21 196:5 217:25 218:4,8 222:9,10,12 hundred 136:10 184:4,10,12 hundreds 114:14 147:3 181:14 hypothetical 53:25 54:14 118:12 127:12 155:20 219:15 220:1 242:16 243:24 hypotheticals 16:16	i ibm 37:23 161:18 161:21 162:5,9 165:13 ibm's 56:12 icustomer 29:9 30:2,13 31:3,15 32:5,19 idea 20:21 219:16 228:19 ideas 24:8 identification 9:21 22:9 43:1 45:19 52:11 96:23 105:3 128:7 145:12 164:1 182:11 identified 82:20 85:2 100:4 101:9 106:25 165:10 188:9 identifies 188:10 identify 47:1 57:21 59:9,10 61:15 109:11 116:19 137:16 163:22 188:18 identifying 102:6 207:17 iii 216:1 illustrates 162:18 illustrative 145:20 ilog 17:19,23 18:6 19:2,14,19 20:1,14 21:19 23:3 28:14 29:15 49:20,21,23 150:11 impact 69:1 123:9 123:13,14,17,21 123:22,25 124:1,1 124:11,13,16 141:5,11,12,18,22	142:9 170:6,8,9,12 171:5,6 198:23 232:10,14 233:1,9 233:10 implement 15:8 24:8,13 27:2 52:22 53:21 130:18,19,21,23 implementation 15:25 19:2 33:10 91:9 129:11 130:15 132:12 138:6 217:4 implementations 39:6 42:19,21 implemented 8:14 8:14 14:3 84:25 92:16 107:16 117:12 118:8 181:7 233:6 implementing 39:9,13,17 61:3 90:25 92:10 196:23 197:11,13 207:14 important 33:22 148:17 192:8,10 195:17 200:15 importantly 16:7 impossible 224:14 impressive 69:19 improve 14:14,16 14:17 26:9,10 37:19,19 42:10 53:3 57:10 83:2 84:2 88:23 124:21 143:14,23 144:1 144:16 153:14,24 154:16 157:2 improved 15:2 38:25 44:4 61:4	83:21 234:10,17 improvement 38:11 122:7,8,9 231:7 improves 137:9,22 138:2 148:23 221:13 improving 14:24 36:1,5 58:2 144:6 144:12 154:6,7,15 154:23 155:1 204:4 inaccurate 222:16 222:19 incentivized 32:12 incentivizing 32:12 include 83:21 87:18 97:13 98:19 136:16,18 165:2 included 12:17,19 14:22 23:21 137:1 217:5 248:13 includes 98:20 136:14 including 9:3 18:4 income 101:13 106:7,9,10 107:7 225:17 239:14 incorporated 82:22 250:12 incorporating 58:7 incorrect 232:7,9 232:11,12,22,25 incorrectly 53:10 141:14 increase 39:9,16 65:2 85:7 118:4 120:9,19,20,20 121:18 142:10
--	---	---	---

[increase - interact]

Page 23

154:13,14 155:2,6 204:17,20 increased 84:16 117:25 126:18 155:18 156:2 204:8,25 increases 118:3 142:13,15 increasing 84:6 106:19 204:3 incurred 180:21 independent 66:13 210:21 212:19 224:3 233:13 independently 178:23 210:9 indiana 1:9 indicating 69:15 90:14 165:5 189:9 237:2 248:13 indirect 136:8 143:4 232:9 indirectly 63:10 65:25 102:1 160:6 individual 16:13 79:6 179:8,12 211:3,12 individuals 63:15 63:20 64:11 74:24 75:12 91:7 industry 18:20 24:16 27:23 59:1 85:9 110:1,2 134:2 137:7 149:3 154:24 161:2,15 195:10,17 215:23 216:9 231:1 236:21 industry's 109:25 influence 26:3	influencing 25:23 26:6 inform 122:5 information 12:13 13:7,12 21:25 30:20 56:2 59:12 63:5 64:23 65:6 76:4 77:8 78:15 79:18 90:13 108:17,19 109:21 120:13 135:16 139:23 146:14,16 165:11 173:11 182:2,17 188:17 188:21 189:6,12 190:13 197:10,15 200:19 209:23 227:1 236:23,25 237:4 238:1 informationweek 3:9,12 informed 223:20 informing 109:11 informix 190:12 infrastructure 33:6 infrequent 202:16 202:21,22 initial 43:23 91:3 197:5 213:18 233:25 initially 33:6 92:20 130:19 146:18,21 initiative 89:1,12 89:17,21 innovation 110:24 183:18 input 15:10,10 29:2 138:12,13	ins 60:10 inserted 210:25 inserting 241:16 insight 183:18 installations 42:23 instance 119:5,22 instances 91:13 institute 56:7,12 instructed 71:6 insurability 208:7 insurance 1:9,9 4:22 7:23,24,25 8:1,10 9:4 11:12 11:16 12:17,18,18 12:19 13:12,13 16:24 17:2,14,24 18:1,20 21:23 23:25 24:16 25:2 25:5,9 27:21,23 28:8 30:22 33:16 33:20 34:1,8,9,18 34:23 35:16,20 36:7 37:22 40:23 40:24 42:11 44:8 44:19 47:3,9,12,16 47:19,20,22,23 49:5 55:17 56:6 56:18,19 57:15 58:21 65:20 74:2 86:6,10 97:24 98:8 99:13 100:13 124:23 127:25 128:4,20 129:16 129:18,18 131:17 134:1,2 136:5 137:7 139:2 141:6 148:21,24 149:15 150:19 151:1,19 153:25 154:2,8,16 154:23,24 155:2 155:10 156:2,9,10	156:15 157:11 158:4,5 161:3 163:20 164:9 166:18 174:8 178:7,10 180:12 180:16 183:3,7 185:19 192:13,17 195:10,17 213:5 214:20 215:17,22 215:23,25 216:9 216:25 218:23 222:1 225:16 226:2,4,4,5,6 231:1 233:18 239:12 248:6 249:3 250:3 insure 112:19 142:20 211:14 230:10 insuring 109:8 insurity 40:17,19 integrate 24:3,24 50:1 80:23 153:15 158:2 integrated 12:6 20:1 47:25 53:15 63:1 83:10 87:13 192:12 integrating 19:19 integration 104:10 104:16 225:21 intelligence 114:5 115:1,4 intend 56:24 112:16 intended 217:23 222:17 intent 120:18,22 interact 159:4 160:10
---	--	---	---

[interacting - kind]

Page 24

interacting 73:8	investigated 210:9	75:1 115:10 131:8	238:4,7,21 239:9
interest 208:14	investigation	156:13,14 188:15	239:19 240:1
209:5	112:11 124:1	193:6 197:4,13	241:8,17,23 242:2
interested 5:8 75:3	199:9	202:19 212:9	242:15 245:2
247:11	investment 8:4,25	228:12,17	246:13 248:5
interface 29:14	92:24 93:5 95:11	issued 87:24	java 190:19
45:5,8 73:11	95:13 101:13	issues 118:19	jennifer 76:8
111:18	106:6,9,10 107:7	176:11,24 193:8	job 13:4 15:17,21
interfaced 173:13	225:17 227:19	195:2	17:1,15 33:5
174:5	239:14	item 162:12 163:4	40:22 48:8 123:6
interfere 4:15	investments	234:18	141:16 142:3
interference 4:13	110:21,23	items 162:22,25	joined 33:12 48:18
internal 15:11	invisible 159:25	186:16	jsp 190:18,19
19:21 35:8 64:5,9	involve 48:13	ivey 3:15 127:21	judge 148:5
85:13 135:14	134:23,25	127:24 128:12,25	judgment 142:8
136:18,20 138:1	involved 18:8	132:15,23 175:18	145:2 146:9 148:7
152:16 190:23	29:21 35:15 42:2	ivey's 171:10	148:7 172:16
internally 24:1	43:7 51:6 68:23	j	222:9,10,12
186:9,19 215:9	70:14 71:15 81:6	jackie 1:25 5:5	jump 145:19
interpretation	111:23 125:20	jacqueline 247:5	jumping 185:1
163:10,13 164:8	132:12 134:23	247:19	june 1:25 4:6,9
164:11	159:12 160:16	james 2:17	247:16 248:4
interrogated	166:20 180:7	janus 2:12 3:4	junior 147:20
20:22	188:25 214:6	5:18,18 10:1 15:3	justification 77:19
intersection 23:17	227:12,16	15:6 16:15 27:18	79:1 83:20 84:24
interview 185:10	involvement 138:5	30:5 39:19,25	85:5 89:18 90:6
interviewed 43:9	138:5	50:14,18 51:23	91:13 246:10
interviews 132:18	iota 25:4	53:24 54:12 64:1	justifications 91:9
intranets 30:18	ip 131:8	64:7 89:4 96:11	justified 14:14
introduce 10:16	irma 211:4,4,21	103:6 108:14	84:5,12 85:2
introduced 156:20	212:7,13	121:3,10 125:25	justify 84:7,20
introduction	isaac 1:6 4:22 5:17	126:14,22 131:14	justifying 197:16
141:24	152:20 248:6	134:13 135:2,17	k
inventory 76:5,7	249:3 250:3	146:20 147:11	keep 32:4,6 135:25
76:14 172:4,5,22	isolation 86:19	155:19 156:3,24	241:16,18
173:2,3 186:1	103:1,11 104:2	158:13 168:10	kept 49:23 150:5
207:12,14 208:11	157:15,23	169:6 185:12	kevin 66:7 226:17
209:15 210:10	issuance 34:15	186:25 187:8	key 89:12,16,20
inverse 158:11	36:2 174:20	193:10 197:19,23	kind 13:17 15:24
invest 100:5	issue 11:23 54:4,5	219:13 220:17	24:11 29:19 32:12
101:12,12 106:5	54:7,10 73:12	226:18 235:6,9,11	33:1 44:23 99:25

[kind - licensed]

Page 25

103:3 139:25 152:2 164:12 175:24 196:15 kinds 9:12 kirsch 62:14 kliebenstein 2:6 3:3 5:16,16 6:4 9:19,22 10:2,3 15:5,18,20 16:22 22:10 28:13 30:12 39:21 40:1,9 43:2 45:20 51:5 52:3 52:12 54:6,15 64:12 67:2,8 89:5 96:16,24 98:25 99:3 103:7 105:5 108:18,22 109:6 115:17,25 121:7 121:15 126:10,19 127:1 128:8 131:20 134:18 135:1,8,25 136:2 145:13 146:22 147:16 155:24 156:8 157:4 158:16,24 164:2 168:15,16 169:13 182:12 185:15 187:2,9 193:14 197:21 198:6 219:19 221:2 226:24 234:22 235:7 238:8,10,24 239:16,23 240:5 241:14,15,21,25 242:8,10,21 245:9 246:12 knew 72:1 76:24 80:10,11 know 6:23 7:6 10:22 13:19 15:13	15:18 16:8 18:21 20:10 25:2 27:6,9 28:11 29:6 30:7 30:15,24 31:9 32:6 53:5 56:13 66:9 68:22 71:10 71:15 73:23 75:17 76:7,11 77:1 78:6 78:13,24 79:17,19 79:19,22,23 80:2,4 80:4,12,12,25 81:2 86:7 95:18 111:5 113:4,11 114:24 118:5,14 122:17 130:11 133:16,21 136:13 137:19 140:13,15,16,18 140:21,25 145:2 147:14,17,25 148:3 150:6,9,12 150:13 151:23,24 152:13,19 155:9 157:8 159:14,15 160:2,9 165:1 167:19 168:21 171:22 176:5 177:4 178:3,10 179:11,17,18,21 180:4,5,7 181:6,20 184:7 187:7 188:14 189:4,5,7,7 189:18,23 194:3,5 194:7 195:9,22 196:14,22 199:8 200:3,4,8 201:16 201:19,20,23,25 202:23 203:3,19 204:23 207:3 210:6 212:15 213:5,5,6 216:21 217:6,9,11,16	219:20 220:20 221:19 228:19 230:24 231:19,25 242:17,19 243:1 243:25 244:7 245:5,25 246:3 knowing 228:19 knowledge 24:11 30:24 57:18 58:6 66:14 69:25 70:2 93:15 98:20 99:13 100:20 117:6 128:2 129:7,10,18 129:20 130:18 131:18,21,25 132:1,2,3 208:23 216:22 221:25,25 236:20 known 58:19 I lacked 38:2 lacks 96:11 147:12 language 132:7 187:20 190:22 large 48:10 150:18 largely 106:20 largest 180:12,15 late 15:14 latest 139:23 law 5:1 lawyers 64:2 134:24 lead 65:8,9,11,12 65:14,19,20 155:17 156:2 232:8,11,14 237:13 238:11 240:18,20 leader 23:5 26:17 leaders 90:23	leadership 49:6 leads 58:3 237:17 241:3 leah 2:12 5:18 248:5 learn 63:4 226:20 learned 49:20 131:11,23 leash 242:4 leave 49:1 led 44:3 118:19 119:23 120:3 127:12 left 24:10 32:22 62:12 191:7 leg 97:18 legacy 13:19,21 20:15,16 35:23 37:7 38:24 42:8 79:4,15 80:14,19 legal 5:4,6 248:1 251:1 letter 248:19 level 51:8 88:13 90:10 114:6,23 142:5 173:22 193:24 222:20 230:5 levels 209:6 leverage 92:23,25 93:5 95:11,13 leveraging 96:1 license 52:18 79:7 87:8 94:4 213:14 214:7,7,18 215:2 219:10,11 220:8 220:14,21,21,25 221:7 licensed 36:11,12 82:11
---	---	--	---

[licensing - majesco]

Page 26

licensing 35:1 213:25	loaded 68:3 117:6 119:13,18 120:1,8	223:17 225:23 241:5	lot 8:10 15:15 21:22 38:2,16
life 12:18 47:9,12 47:17,19,20 48:2	120:16 121:22 127:23 132:20	looked 23:19 49:22 58:16 63:20	41:17 43:16 63:5 68:15 77:15 82:19
limited 241:11 242:5	133:3 144:21 170:24 175:19	100:19 102:12 109:13 128:3	111:18 137:13 138:20 175:4
line 16:15 22:5 26:16 90:24	181:12,17 182:25 225:10 232:8	138:9,18 159:11 178:25 186:1	187:22 192:23 200:25,25 211:13
106:23 126:4 156:13,13 248:13	loading 119:20 222:15	194:25 201:1	213:4 232:20 244:12
250:7 251:3	loads 207:24	looking 9:14 25:7 27:14 29:12 31:2	loved 42:24
lines 13:13 21:20 49:8 129:2 147:7	located 5:2	49:5 78:7 87:15 91:25 102:20	low 114:13 115:5 179:13,14,15
151:16	location 211:10	110:18,18 113:3 128:10,25 131:8,9	180:9,10,18 203:2 213:3,6,8 243:5
link 19:5	logic 50:24 57:5,9 57:17 68:5,7,12	137:3,4 138:22 153:4 154:9,14	lower 108:4,8
linking 19:3	117:1 170:23	160:19 164:7 176:13 186:4	lump 46:14
list 12:3 62:9,12 65:24 66:2,24	222:3 228:1,3,5,21 229:5 237:20	191:20 200:13,17 209:25 222:25	lunch 96:17 105:1 115:18,21
69:7,14 74:24 76:21 179:9 182:6	238:23,25	lookup 198:25 199:12,17,24	lynn 7:19,20
189:8 191:17 203:9 217:13	logical 119:4 long 6:11 7:8	200:10 201:2,21 202:1,6 210:10,22	m
listed 63:15 69:7 153:20 188:7,8	48:15 80:6 94:2 201:12,14 242:4	loop 93:18 lose 21:18 53:22	m 12:21,22,23 madam 248:10
189:10 192:16 202:3 203:7,18	longer 77:21	124:24,25 141:15 154:19,19 172:13	mail 2:5,11 38:7 187:4,6
223:24 227:11 237:9 250:7,17	look 9:9 12:3 19:6 25:11,12 27:25	loss 54:4,7 55:1 120:20,21 136:11	mailing 38:15 main 129:10
listing 250:7	28:3 29:19 30:7 61:18 64:5 74:21	136:12,18 142:15 142:15,16,17	maintain 21:10 52:2 53:17 72:16
lists 210:1	82:8 102:13 105:19 106:10	143:5,6 222:6,18 222:21 228:14,15	maintained 21:6 maintaining 88:23
litigation 6:19	109:15 110:11 124:22 137:19	losses 54:3 141:15 156:12 157:12	maintenance 87:10 89:25 90:19
little 15:19 58:9 72:25 75:7 137:24	139:24 157:14,15 164:5 166:10	209:7 222:5,7 223:8	164:20,22,24 165:7,8 169:22,25
143:25 144:19 149:5 166:12	172:24 179:12 181:16 183:17	lost 172:15 195:16	170:15 171:15,16 172:1 214:18
176:5 244:20,21	184:19 185:24 188:5,6 189:2		majesco 3:10 41:1 41:6 47:6 48:6,20
ljanus 2:11	191:4 199:5,21 209:18 214:14		48:22 94:8
llc 8:22,24 9:18	221:9 222:5		
load 50:20 117:2 171:19			

[majescomastek - meeting]

Page 27

majescomastek 40:11,16,22	manager 140:2	157:7 168:24	mckone 1:25 5:6
major 13:17,18	managers 139:14	169:18,19 213:19	247:5,19
59:17 161:20,22	139:15,15,24	marketed 82:21	mean 11:14 14:5
161:22	140:7,19,20,21	marketing 9:13	16:11 18:25 23:7
making 21:14 25:8	141:16,17,18	43:9 82:22 95:23	31:19 36:6,19
35:1 37:1 55:13	142:18,19 143:1,1	122:19 153:21	37:25 42:22 44:18
92:24 110:2	171:19,23	169:17 223:11,13	45:6 46:8 55:14
112:22 113:13	managing 80:17	marketplace 8:1	70:7 74:2 75:5
117:21 124:20	91:16	31:1 34:2 42:19	78:9 83:5 95:25
186:20 211:18	manual 198:25	47:18 49:22 54:22	112:4 115:4
219:1 222:19	199:4,11,17,24	54:23 55:7 58:19	116:11 120:22
230:4,8	200:10 201:1,20	101:11 139:2	122:8 124:20
manage 143:10	202:1,6 207:23	149:8 213:24	126:1 146:21
233:17	210:10,22 212:15	markets 57:19	153:2 154:2 156:6
managed 21:8	manually 115:12	98:10 101:10	200:22 215:17
management	194:24,25 201:15	102:3 138:11	221:17,20 228:24
12:19 14:15 17:20	207:22 209:16	147:8 197:7	229:19 232:16
18:2,3,6 28:15	210:5,15 232:13	233:19,24	236:5 237:3
29:22 33:8 34:16	233:3 243:10	match 232:4	241:19
35:9 41:23 45:13	manuals 151:17	matches 46:20	meaning 41:24
45:15 50:4 51:16	margin 107:8	material 9:20 22:8	means 8:9 116:12
51:25 55:25 76:6	margins 106:16	42:25 45:18 52:10	153:25 158:4
76:7,14 78:1 79:5	mark 145:25	95:23 96:22 105:2	179:15 239:24
80:10 82:11,20	marked 3:23 9:20	126:12 128:6	240:7
87:14,23,24 88:2,3	22:8,11 42:25	145:11 163:25	meant 36:22
88:5,11,16 91:1	43:3 45:18,21	169:17 182:10	measure 85:22
92:23 93:1 94:17	52:10,13 86:25	materials 93:15	86:17 122:24,25
95:24 96:2 107:24	96:22,25 105:2	matter 4:21 6:13	134:3 167:11
114:21 129:16,21	128:6,9 145:11,14	6:21 9:24 10:5	168:2,18 169:1
143:21 148:10	152:5 163:25	66:19 95:4 111:13	205:3 231:12,14
149:12,17 150:10	164:3 182:10,13	167:19 177:14,15	236:3 246:6
152:17,22,25	market 9:11 25:23	178:14 240:15	measures 231:5
153:2,3,4 162:1,4	28:4 40:25 44:20	matters 247:7	measuring 235:24
164:21 165:9	46:5,8,10,23 47:4	maximum 214:19	236:1 246:4
172:4,5,23 173:3	47:12,17 48:2	215:5	media 4:20 40:7
183:19,22 194:10	52:9 53:3,4,5,8,10	mba 56:1	109:4 158:22
207:12,14 208:12	54:20 65:20 83:2	mccarter 1:16 3:8	198:4
209:16 210:10	88:24 89:2,14	4:3,21 5:24 6:5	meet 26:1
213:20 239:14	98:9 99:19 106:18	7:12 116:2 235:12	meeting 71:6,16
	139:9 141:20	248:8 249:4,9	94:17,18,23,23
	154:5 156:11,21	250:4,13 251:20	95:4,16,22 96:4

[meeting - near]

Page 28

226:16 meetings 94:19,21 member 9:18 members 7:19 memos 151:17 mencke 68:16 74:23 212:24 mention 39:16 mentioned 8:25 14:16 15:24 24:18 27:11 82:24 96:20 119:10 145:18 148:24 149:19 156:15 164:24 176:23 194:5 209:15 216:15 mentioning 30:10 mentions 11:11 175:22 185:19 merchant 2:3 4:4 5:2,17 17:13 merchantgould.c... 2:5 met 95:1 method 26:21 37:21 38:3 199:4 200:10 201:21 methodology 57:22 58:11,24 59:2,5,10 61:14 101:20 167:17 181:9 199:12 223:2 231:4,24 232:2 metrics 123:16,20 124:4,12 246:10 mexico 12:16 microphone 67:1 microphones 4:11 4:15	mid 89:1,14 middle 31:14 103:8 110:19 midwest 248:17 251:1 million 200:19 201:4 210:1 215:4 217:10 millions 114:15 min 42:8 83:11 159:17 211:7,9 214:8 216:11 mind 11:20 191:5 234:7 236:2 239:25 240:8 minds 99:14 151:17 minimize 88:22 minimum 40:20 minneapolis 2:4 2:10 4:5 5:3 minnesota 1:2 2:4 2:10 4:5,24 5:3 247:1,5 minus 123:11 125:12 219:5 220:11 minute 30:10 131:22 minutes 111:13 242:6 mirolyuz 62:20,21 63:2,6,9 77:16 129:25 132:12,15 132:22 153:11 missed 118:23,23 missing 10:7 misstates 108:15 131:15 168:11 169:7 241:8	misunderstood 225:15 mitigation 54:5,7 mix 151:24 200:6 model 33:17 160:23 161:2,4,15 161:18,21 162:5,9 162:18 163:17 165:13,16,25 166:9 181:16 182:1 196:10 211:13 243:11 models 153:15 158:2 modern 13:20 modification 211:3 modify 211:13 module 43:15,24 mold 199:18 moment 134:16 163:23 money 21:18,18 35:1 44:5,9 47:5 53:23,23 101:12 106:6 120:23 137:23,25 148:22 148:25 154:19 219:1 monitoring 176:2 month 200:18 201:5 210:1 monthly 46:15 morning 4:8 6:5,6 motive 205:8 mouthful 40:15 move 11:8 13:21 16:23 17:4 21:25 25:4 26:8 29:23 32:25 40:15 48:20 48:20 49:2,3	55:16 66:7 96:18 109:7 126:2,9 133:22 153:6 154:4,18 155:13 169:20 172:17 206:2 208:5 211:2 227:6 229:11 moved 13:19 33:8 48:6 117:20 moves 25:6 154:5 moving 16:4 39:19 54:16 75:10 77:6 89:1 116:1 138:22 141:16 142:2 143:12 158:2 173:6 174:18 175:9 184:13 186:6 194:13 196:7 203:25 208:11 234:8 multiple 35:11 75:22 91:13 152:12 153:21 186:9,9 216:25 228:2,4,6,10,10 229:6,7 murphy 66:7,8 135:15 mutual 12:20 mutually 65:23 n n 3:1 4:1 name 5:3 7:16 47:24 81:17 248:6 249:3,4,15 250:3,4 250:21 names 12:3 nature 67:16 78:4 147:23 near 111:13
---	---	--	---

[necessarily - okay]

Page 29

necessarily 12:1 31:21 37:16 65:11 65:12 83:13 108:9 117:24 124:21 129:7 144:25 156:13 193:23 195:13,14 217:20 221:17,20	negotiations 78:19 neither 247:9 net 50:6,7 190:21 network 111:21 networking 56:14 never 58:1 65:14 65:19 86:4,7 93:8 98:7 124:6	noted 39:9 notes 76:9,17 247:8 notice 4:6 noticing 5:15 247:13 number 1:4 4:24 6:24 10:1 16:6 40:7 55:24 56:10 66:10,10 68:9 69:17 77:9,9,13 81:25 82:4,5,23 91:11 109:4 117:22 118:2,16 130:7 140:15,18 152:9 158:22 160:7,15 162:7 163:24 165:2 166:19,23 172:19 180:1,2,3 182:14 182:18,20,21 184:9 185:10,21 186:5 198:4 200:18,21 201:12 213:7 214:6 215:11 217:9 248:7,13	238:21 239:9 242:15 objection 15:3 27:18 54:12 89:4 96:11 126:14,22 146:20 147:11 239:19 240:1 241:8 245:2 objections 5:13 156:3 220:17 objective 169:2 231:5 objectives 111:13 obviously 44:2 76:20 94:24 occasionally 94:16 occasions 66:8 occurred 224:5 offered 40:22 offering 30:22,23 42:9 153:5 officer 12:14 33:4 offices 5:2 official 249:15 250:21 oh 54:2 106:1 149:7 154:22 163:24 174:9 182:8 227:9 235:7 ohio 248:2 okay 7:7 10:18 11:5 13:2 20:25 22:7 29:5,24 39:25 50:19 52:8 55:20 60:12 64:10 72:1 74:22 82:9 94:12 104:19 105:19 106:3 143:22 150:16 165:17 167:10 185:14,22 186:7
needed 14:1,2 15:9 21:16 28:3 29:3 52:9,22 64:23 87:23 96:14 100:5 102:18 109:20 120:13 123:20 175:19 187:21 229:6 236:25	new 13:14,14,20 13:22,23 14:4,6 15:8 16:1,20 24:8 24:14 26:22 27:2 27:7,15,15 46:10 46:11,22 47:1,1,1 47:4,4,17 48:2 55:3,5,7,8 63:5 110:23 141:19,23 141:25 154:10 156:20 175:6 195:11 200:23 newer 212:16 nine 144:5 161:20 nodded 41:12 240:25	numbers 78:7 181:16 250:7 numerically 166:22	
needless 24:7 needs 26:2 46:20 141:21 142:5 201:1 229:21 negates 72:13 negative 157:21 232:10,14 negatively 232:25	non 36:8,11 232:17 noncompliance 176:16 normal 59:6 123:8 124:11 159:16 normalizes 196:15 normally 172:15 north 12:13,15 13:7 17:9 49:5 183:7 notarized 248:14 notary 247:5,15 248:25 249:10,18 250:15,23 251:23 note 4:11 39:7 238:14 248:12	o o 4:1 12:22,23 oath 6:1 object 16:15 50:14 51:23 53:24 54:12 108:14 121:3,10 131:14 135:18 155:19 156:24 168:10 169:6,8 193:10 219:13	

[okay - page]

Page 30

187:15 191:21 198:8 221:9,10 232:1 238:6 244:2 older 14:7 once 6:10 74:15 100:4 175:1,13 193:16 ones 19:12 36:11 36:12 63:21 68:11 102:8 130:11,12 142:7 149:22 194:23 online 19:23 29:12 30:10,16,20 33:12 33:14,18,20,20,21 33:25 34:7,21 35:3 37:5,21 38:3 38:15 43:25 44:3 44:6 open 194:11 operate 151:1 162:20 243:19 operated 13:25 operating 12:15 33:3 183:3 190:19 operation 14:18 14:18 40:23 42:10 58:3 159:10 162:15 163:7 166:21 231:12 236:7 operational 159:3 229:11,14 operations 11:16 12:14 64:15 68:19 76:20 150:21 opine 56:25 162:11 219:20 opinion 50:12,15 56:16 57:21,23 58:12,15,24 59:3	59:18,22 60:2,11 60:13,19,23 61:7 72:7 82:15 96:4 97:11 106:22 107:10,18 110:9 111:3 113:2 116:18 117:8 120:14 122:5 123:18,25 124:10 125:16,18 128:14 130:24 131:2,17 131:23 133:5,12 137:6 143:17 147:4 153:22 161:4,7 162:17 163:17 166:17,24 167:16 171:7 172:18 176:10,10 177:2 178:16 180:19 182:24 183:10 184:16 185:4,7 186:14 191:22 192:15 193:18 201:17 202:23 203:4,22 204:2 206:11,18 213:23 214:14 215:10 217:19 218:14 219:25 221:3,11,16 223:21,23 224:15 226:8 231:4,9 233:12 234:13,20 235:15 236:25 237:16 240:17 241:2,17 245:15 opinions 50:16 56:22 57:3 59:6 59:11,14,16 61:21 62:7 68:2 101:21 102:5 105:7,12,16	109:12 113:1,21 115:7 116:2 129:14 130:13 131:10 139:16 161:12,17 175:16 189:24 198:11,15 198:21 212:22 213:2 222:23 223:3 238:2 240:15 opportunities 93:7 106:18 112:24 opportunity 24:5 88:17 107:9 135:24 opposed 32:10 54:3 115:11 165:23 211:19 option 199:17 200:3 order 79:18 97:12 133:3 139:8 166:10 ordering 247:13 organization 9:15 22:1 79:2 82:6 93:21 94:25 100:20 113:6 149:24 150:18,25 168:23 204:14 218:3 225:24 230:5,19 237:21 original 77:19 79:1 92:17 213:14 247:8,12 originally 119:18 originated 23:1,2 91:23 outcome 5:9 outlined 29:7 87:16 95:15	122:19 166:14 outperformed 107:14 output 133:4 170:4 outs 60:10 outside 88:17 141:1 191:13 226:19 outsourced 24:9 overall 10:22 26:3 26:6 77:8 78:21 81:25 86:20 87:17 89:1 108:9 116:9 116:23 122:17 148:12 184:24 overlaid 165:16 overstating 164:17 165:4 overview 57:2,4 175:24 owes 219:9 owned 12:25,25 17:6 130:25 131:24 owner 28:21,25 29:10 84:14,14 owners 84:10 ownership 131:8 owns 131:2,19 p p 4:1 12:21,22,23 p.m. 109:2,2 115:22,22 158:20 158:20 198:2,2 235:3,3 246:16,18 page 3:3,4,8,9,10 3:11,12,13,14,16 3:18,20 25:17 29:23 44:11 54:16 62:9 87:9,16
---	---	---	---

[page - percentage]

Page 31

88:12 89:10 99:25 105:1 106:2,6,10 106:13,14,17,19 107:20 109:7 113:25 128:25 145:21 151:2,12 151:12 153:11 158:25 160:19,25 164:5 165:22 183:5 188:5 206:3 206:4 223:16,16 248:13,15 250:7 251:3 pages 105:25 145:18 237:9 paid 44:6 130:17 137:23,25 214:18 215:2,3 220:14,22 220:24 pandey 77:6 179:19 187:4 paper 15:12 16:4 216:20 paradigm 2:22 paragraph 10:19 25:19,20 26:12 29:25 43:17 44:12 45:25 52:20 56:16 60:3 63:16 69:22 75:12 82:8,10 83:19 89:8 96:18 97:7 109:23 110:21 111:9 112:25 113:2 116:1,3 117:11 122:21 127:19,20 132:17 133:22,24 138:4,22 139:3,6 139:14 143:12,19 144:4,5 150:17 151:5 160:5	161:17 162:7,11 166:1,14,15 167:8 167:9 169:20 170:14 171:25 172:17,18 173:23 174:18 175:17 181:10 183:13,23 184:13 185:1,16 186:6 188:10 190:2,3 191:20 194:15 198:7,9 202:14 203:25 213:10 214:14,17 217:19,23 218:14 218:18 221:9 222:23,25 223:3 223:21 231:3 233:12,12,13,16 234:8 paragraphs 59:9 138:25 140:10 161:10,13 171:7 183:15 part 12:5 13:8,16 14:22 21:7 24:18 32:16 33:22 37:14 61:3 76:15 78:9 86:20,22 87:15 104:20,21,23 112:7 115:1 116:12,14 125:2 125:23 126:21 127:17 140:4 144:8 148:13,16 148:17,18 160:3 165:8 166:4 168:21 176:16,17 176:18 179:4 181:15 183:20 184:23 186:17 192:25 194:22	205:3 207:22 208:10 210:17 225:1 250:9 participated 78:3 participation 78:5 particular 27:5 28:17 65:15 96:14 125:21 144:19 174:10,12 177:6 228:20 particulars 28:11 parties 4:18 130:5 247:9,11,13 parts 14:18 95:7 126:24 157:19 194:21 party 5:7 25:12 48:11 50:1,9 184:22 186:10,17 186:23 187:5,11 187:15,17 188:11 188:14 189:13,20 191:15 210:23 247:13 pass 195:1 passage 129:13 229:23 passages 128:14 128:15 pattern 232:4 pay 34:23 46:14 46:14 136:24 141:10 174:15 215:6,8 219:11 paying 43:24 44:3 216:25 220:18 payment 43:14,24 44:7 46:15 payments 46:15 peaks 210:7	peer 106:11 107:14,15 peers 105:17 106:5 pemco 52:16,18,21 55:3 penetrated 9:11 233:24 pennsylvania 1:10 people 15:21 16:12 23:17,21 24:5,6 33:19 57:19 62:4,9 64:15 70:20 74:6 75:22 86:21 97:14 98:24 99:4,5,7,9 99:14,16 101:16 101:18 104:10,13 104:16,21 107:1 107:11,13 113:5 120:7,25 124:15 136:21 139:17 140:17,22 143:9 147:4 148:13,16 152:14 157:16,25 160:15 168:24 179:21 180:2,3 201:14 210:4 221:23,25 224:12 224:19 225:6,10 225:14,18,21,25 226:21 230:12,12 236:6 244:15 people's 225:8 perceived 74:11 percent 60:17 136:9,10 160:17 181:6 191:24 200:5,5 percentage 112:12 140:16,21 160:10
--	--	--	--

[percentage - predictive]

Page 32

160:12	207:21 224:24	policies 34:25 37:1	policyholder 31:5
perfect 49:7	231:18 235:21	47:5 55:10 86:6	policyholders
perform 13:5 27:1	236:5,12 244:12	117:18,22 118:3,6	159:13
28:19 139:19	pieces 187:16	118:17 142:7	poor 180:10
141:5 179:24	188:11 189:14,14	156:22 157:9,12	port 174:3
210:5	189:16,18 191:15	170:20 178:10	portal 174:3
performed 217:14	pimco 12:20,21,23	179:14 180:7	208:18
217:21	pin 186:4 224:13	184:7 193:13,15	portfolio 114:6,23
performing 142:3	place 4:14,18 43:7	193:17 194:22	portion 24:10,10
230:6	212:12 214:23	195:12,18,21	position 165:6
performs 190:7	228:24	196:5 206:24	220:5
period 37:11 38:1	plaintiff 1:7 2:7	212:6,6 218:11	positioned 9:10
permission 214:15	5:17	222:19 228:18,19	positive 157:21
person 73:8 84:15	plans 46:10,11,16	242:18 243:8,9	233:9,10
209:19 227:22	46:18 53:3 112:19	policy 8:12 13:11	possible 148:4
229:19 230:1,2	platform 29:18	13:12 14:19,22,25	216:12 230:22
personal 13:13	31:3 32:19 35:12	15:2 16:1 19:19	236:2 246:6
93:15 226:8	36:15 47:9 53:16	20:14 27:12,15,22	postage 16:4 38:7
personally 60:3	53:16	28:5,7 34:13,15	potential 51:7
249:11 250:15	play 31:22 87:7	36:1,7,20 37:2,5,6	95:6 156:5 208:7
perspective 75:16	146:9 159:22	41:7,14,19 42:8	209:7 228:16,16
95:8	plays 181:24 192:4	47:11 48:1 73:25	230:20
pg 3:15,24	please 4:11,13	74:2,10 83:8,10,13	potentially 55:8
phone 2:4,10	5:13,21 57:2	83:17 120:21	119:6 141:12
62:13 66:18,19	248:11,11	149:24,25 151:17	186:10 229:10
69:10 75:21 79:19	plus 30:23	159:17 171:1	powerpoint 3:16
82:15 83:23	point 15:13 24:21	172:13,15 173:13	3:18 91:21,24
134:23 248:3	24:22,23 33:19	173:24 174:10,12	151:3,9,10,21,22
phrase 11:11	51:22 86:24 88:19	174:15,15 175:1,1	powerpoints
32:17 44:17,18	93:13 102:22	175:4,6,9,19 176:7	197:6
46:7 99:20 116:5	105:9,15 106:21	176:12 183:21	practice 84:20
116:10	111:11 119:15,15	184:4,10 190:10	85:8,13,17 205:9
phrased 50:15	125:21 126:2	190:10 192:18,19	205:10
physically 67:22	151:13 154:13,15	192:20,21,22	practices 8:16
pick 4:12 223:15	165:5 176:8	193:4,21 194:10	25:13 30:21,25
picked 185:21	191:11,23 210:8	202:25 206:23	precision 91:13,17
picture 145:21	223:9 231:2	208:5,10 209:8,12	145:1 146:8
186:20	235:22	211:7,9,12 212:9	221:12
piece 36:4,5 85:10	pointing 30:7	214:7 216:11	predicate 127:15
85:11,24 86:4,15	points 83:14 87:20	222:20 228:22	predictive 207:24
164:16 192:8,9,25		232:19 233:2,8,18	208:2,6 209:4,6,9

209:21 210:13 preferred 26:20 prefers 7:1 premise 51:23 169:8 premium 54:25 63:11 101:12 116:9,23 117:13 118:9 120:9 136:14,16,23 137:10 156:23 175:10 184:5 193:15,17 204:5 206:2,5,7,12,17,24 207:1,4,7 209:10 215:20 231:8 232:19 233:2,8 234:11,17 243:5 premiums 60:15 157:9 preparation 105:7 129:13 prepare 9:5 prepared 8:6 preparing 61:21 62:6 68:1 115:7 present 2:16 5:10 18:10 136:4 225:7 presentation 145:19 151:3,21 151:22 presentations 82:23 91:22 223:19 presented 38:23 presentment 43:15 preserving 106:16 107:8 press 43:10 52:15	presume 201:9 219:8 presuming 117:22 pretty 50:3 134:4 200:2 prevent 176:16 prevention 178:5 previous 26:7 160:24 previously 3:23 9:1 58:19 price 25:4,6 26:8,9 54:22,23 55:13,14 55:15,16 118:1 141:9,13,14 154:11 174:14 priced 53:10 55:6 prices 231:1 pricing 49:13,15 50:25 51:2,4,11,17 110:25 117:7 143:7 165:3 170:3 176:18 196:11 213:18,19 226:6 230:21,23 primarily 31:2 38:24 42:20 50:25 82:17 122:10 143:11 primary 11:15 51:4 83:3 221:8 primer 152:14 principal 7:23 printout 214:24 prior 111:6 private 4:12 privilege 134:21 135:21,22 privileged 134:22 226:19	probably 6:12 23:4 42:18 63:14 80:7 142:23 147:2 147:9 180:10 202:22 228:13 problem 119:19 211:16 problems 111:21 procedure 199:25 202:6 210:11 249:5 250:5 proceed 5:22 proceeding 5:13 process 6:18 15:10 16:12 18:18,19 20:13 23:7,17,21 36:14,19 38:8,20 44:8 47:1 49:21 50:21 53:20 57:10 57:19 58:14 61:3 61:4 73:16 77:25 78:15 79:24 84:9 84:19 85:24 86:24 87:7 90:20 97:14 101:18 104:10,21 104:24 113:6 116:12,14 117:5 121:6,14,16,17 143:9 148:11,13 148:20 157:16,25 163:20 164:9 168:24 170:2 175:5,14 176:20 177:8 179:4 184:24 193:12 195:3,5 197:6 205:18 207:23 224:12 225:18,21 225:25 231:16,17 236:6 244:15	processed 27:21 38:6 200:16 201:5 processes 14:2 72:24 104:14,16 164:9 166:11,20 168:1 224:19 225:14 processing 3:24 34:15 36:2,25 37:13,16 86:21 87:10,18 90:1 174:21 192:25 194:18 217:24 218:3,8,11 232:18 233:18 234:9,16 produce 133:11 produced 77:16 108:2 152:11 187:6 214:9 215:14 216:5,13 produces 208:2 product 9:9,10,13 9:14 30:14,23,23 31:13 33:10 34:5 41:13 42:3,6,23 45:15 46:17,19 47:4,7,8,16,21,24 48:3,13 49:8,16 69:2 93:22 94:15 131:3 139:13,24 140:1,2,19 141:16 141:17,18,23,23 142:6 147:7 153:4 154:10 156:20,21 157:7 164:18,21 165:9 171:19,23 194:11 204:16 205:5,8 221:1 232:3 244:3 production 99:22 152:9 248:15,17
---	--	---	---

[production - quantitative]

Page 34

248:22 products 18:15 27:21,24,25 28:5,9 28:12 29:10,11 30:4,11,16 33:13 33:13 34:3,10 35:3 46:23 47:1,4 47:6,13,14 50:1 138:11 141:19,20 141:25 142:20 150:25 176:4 194:1,12 195:7 202:25 226:5,5,6 228:10 243:4 professional 100:8 130:6,14 131:12 216:22 217:3,7,11 profit 16:19 57:16 58:2,23 97:16 108:9,9 116:9,16 124:19 125:1 126:17 127:6,10 127:17 136:9 157:2 204:15,16 205:6,7,13 218:19 219:5,21 220:3,10 221:3 224:11,13 225:11 232:21 235:21 239:2,15 244:15 profitability 16:14 16:19 26:10 31:23 39:15,16 108:7 125:9,9,16 136:4,6 138:3 profitable 16:20 19:1,4 25:5 32:10 32:10,11,21 86:8 106:15 195:11,15 profitably 106:16 107:8	profiting 219:3 profits 56:20 57:7 58:8 59:19 64:17 123:10,11,14,19 123:23,25 124:11 124:16,20,21,24 125:3,12,19,22,23 126:21,25 127:13 159:23 198:22 206:15 237:22,23 programmers 21:6,8 155:14 programming 153:15 155:9 202:13 programs 13:17 186:10 progress 112:22 113:14,17 project 28:15 79:10 90:3 114:14 projects 13:9 217:13 prologue 99:25 promote 35:19 promotion 17:12 prompted 49:2 160:1 pronounce 40:13 proper 170:9 properly 55:6 179:4 property 12:17 17:18 56:7 160:22 161:3,9 162:18 166:18 proposal 57:25 proposition 35:19 37:14 42:5 51:9 proprietary 185:19	prospect 173:8,9 173:22 174:7,24 proved 191:11 proven 219:2 220:20 provide 8:16 9:8 15:15 56:16 57:2 76:3 119:14 127:22 128:20 139:16 140:9 154:9 168:4 183:23 191:22 192:3 218:10 222:17 provided 14:7 18:2 28:22 29:2 37:11,17,21 70:16 71:25 72:1,4 75:4 111:22 115:16 119:15 122:6,24 123:1,16 128:1,5 129:23 130:14 133:20 135:15 138:12,13 163:19 167:12 173:12 178:17 197:14 199:19 216:23 218:12 226:25 236:23 provider 33:18 215:8 provides 57:5 71:17,20 72:19 73:4 111:15,17 159:18 196:11 211:11 231:23 providing 173:17 173:18 174:9,11 195:19 198:11,15 212:2	public 247:5 249:10,18 250:15 250:23 251:23 published 23:6,9 pull 20:2 179:8 pulling 211:7,9 purchase 79:7 purchased 17:23 41:10 42:13 128:21 purpose 87:11 143:20 152:13,18 206:25 218:2 purposes 206:9 pursuant 4:6 put 13:14 37:25 72:14 78:22 80:21 82:3 99:18 101:16 107:1,3,12,17 120:18 132:7 133:10 144:16 176:15 186:2 213:7 243:20,21 puts 144:15 146:9 putting 85:10 104:4 146:14,16 202:12 206:20 q qualifications 11:8 qualified 32:14 qualitative 167:4 quality 91:14 118:19 145:3,5,8 145:18,20,23,24 147:19 148:1,12 quantified 95:19 quantify 169:3 199:5 213:8 quantitative 167:1 192:1,6,7
--	---	--	--

[quarter - recall]

Page 35

quarter 46:14	161:14 173:12,17	51:10,15 52:18,22	231:24 232:2
question 20:11	197:22	53:12 55:3,5,11	246:13 249:5,6,12
27:10 36:4 43:23	quicker 22:4 38:6	93:20,20,22,25	250:5,6,17
51:24 53:25 54:13	38:16 44:5 53:22	94:4,24,25 95:3,5	reading 75:25
61:14 63:22 64:11	quickly 21:15,21	95:10 96:4,10	77:15 130:1
65:18 66:3 67:7	33:9 46:4,8 51:17	183:21	248:19
72:22,25 79:8	51:19 52:2,7	rate 10:20 52:23	readout 232:5
86:14 103:3	53:19 55:7 83:7	53:6,8,21 55:7	reads 53:2 194:22
108:15 115:13	111:21 153:14	117:17,20 118:2,6	real 158:15 161:14
121:4,8,11 126:7	154:4 155:8 156:1	118:25 164:20,22	realities 106:18
126:11,20,21,25	156:10,16 157:7	164:24 165:7,8	realized 223:14
127:3,15 129:4	160:13	169:21,25 170:12	realizing 221:12
131:15 132:11	quite 37:8 68:9	171:14 196:10	really 57:4 63:4
133:12 134:19	189:22 216:19	199:4 200:24	74:14,16 157:6
135:9 137:15	224:8	211:3 212:8	176:19
139:12,13 145:7,8	quote 25:21 26:15	247:14	realtime 200:17
147:24 154:22,23	26:20 31:14 32:17	rates 53:11,17	201:7
155:20,25,25	43:18,20 44:12,15	57:5 117:7 118:17	reason 79:13 88:1
156:25 157:5,6	45:25 46:1,3	137:10,18 170:3,8	92:16 110:8 111:2
168:11,13 169:7,8	54:16,17 83:8	170:9,11 196:10	111:25 112:2
193:11 196:3	111:12 112:5,8	211:8,9,12,15	114:10,17 153:3
210:20 219:14,18	173:12,17 174:9	212:2,3 228:23	155:12 168:6
222:12 240:6	174:12,14 175:9	rating 49:13,14	218:5,5 221:8
241:12 242:16	192:17 193:5,8	50:25 51:1,2,4,11	227:11 228:25
243:2,23,25 244:4	208:15 212:5	51:16 53:18 54:20	229:1 248:14
245:5,14	quotes 174:4	165:3 170:5 190:8	250:8 251:3
questioning 16:16	quoting 111:12,24	190:10 212:14,18	reasons 37:13
235:12 241:11	173:8,9,22 174:8	ratio 108:4,7,8	156:11,12,17
242:3	174:24	134:3,6,9 136:3,13	218:6 223:18,23
questions 6:24 7:3	r	137:2,10,22 222:6	227:7
60:9 62:21,22	r 4:1	222:18,22	recall 13:9 18:13
67:3,9,11 68:20	race 109:25	reach 9:19 236:21	22:23 23:1 29:8
69:3,6 73:18 75:8	ramesh 92:19	237:4	29:20 39:4,18
78:25 92:8 111:11	132:18,22 179:19	reached 236:14,18	50:8 63:15 66:2
126:4 136:1	187:4 209:24	236:22	66:23 67:3 68:9
163:16 234:24	227:2	reaches 83:15	68:14 70:1,23
235:8 238:4 242:6	range 169:11	read 30:8 41:6	71:3 77:5 80:8
242:9 246:4	rapid 51:12	63:4 68:2,5,8 83:4	84:23 90:22 91:11
queue 194:24	rata 55:2	105:6 113:2 124:6	92:19 94:19,22
quick 39:23	ratabase 49:10,12	126:12 137:14	95:8 110:15 119:9
154:18 158:15	50:12,13,19 51:6	152:3,15 160:18	121:24 130:12

[recall - report]

Page 36

132:25 134:11 140:1 180:1 197:9 217:9 223:4 229:24 237:13 recap 240:11 recapitalization 8:7 9:2 receipt 248:18 receive 39:1 42:12 42:17 62:2,3 182:2,17 199:12 received 63:6 182:5 187:4 receiving 175:12 recognize 241:2 recollection 79:21 recommendation 21:1 record 4:9,19 5:12 40:3,7 69:21 106:8 107:7 108:25 109:4 115:20,24 131:15 137:25 158:18,22 166:13 168:11 175:15 197:25 198:4 235:1,5 250:9 recorded 4:20 recording 4:17 recover 195:15 red 163:9 188:8 redeploy 229:17 230:2 redeploying 229:18,19 230:1 redevelop 229:7 reduce 16:5 18:21 38:10 120:19 142:10 157:12 200:14 227:12	229:18 reduced 15:25 117:12 118:9 121:23 reduces 38:16 reducing 36:3 137:11,21 138:2 219:12 227:15 reduction 14:15 15:24 60:20,25 61:2 65:21 108:13 110:25 112:24 122:15 169:18 refer 230:23 234:16 reference 97:7 216:11 248:7 249:2 250:2 referenced 129:15 237:5 249:11 250:15 references 99:23 174:20 referencing 97:6 referred 173:23 referring 69:20 87:3 164:4 166:13 169:16 178:1 182:15 185:1,4,17 229:23 refers 155:10 204:2 reflect 141:20 reflected 189:24 reflects 136:9,10 187:10 regard 130:15 regarding 101:21 124:12 212:23 213:2,2	region 13:8 regulation 142:21 regulations 176:8 211:22,23,25 regulatory 175:22 175:25 176:3,11 176:22 212:4 reinforced 63:3 reinsurance 14:20 reject 19:8 20:4,9 142:8 208:24 rejection 170:20 relate 145:24 198:20 related 5:7 9:13 58:17 71:20 112:13 145:10 215:7 232:19,20 247:9 relates 246:7 relating 71:18 92:12 113:21 232:23 233:2,7,8 relationship 94:17 relationships 32:9 33:8 216:24 relative 140:21 150:20 181:24 182:3 206:22 247:10 relatively 183:6 release 52:15 releases 43:10 relevant 110:3 159:8 relied 237:4 rely 190:1 remember 15:18 29:15,16,16 30:13 47:24 63:8,19 67:11 69:18 80:15	135:9 137:14,16 152:3 163:23 229:22 remind 123:5 renaissance 41:8 41:11,13 50:10 render 59:6 renew 195:13,20 196:5 renewal 70:9 87:10 89:25 175:7 194:17 195:5 renewals 143:9,10 195:10,24,25 200:23 renewed 194:23 194:24 195:4 renewing 195:16 195:18 reorganization 48:22 repeated 91:12,21 repetitive 241:10 replace 194:4 replaced 194:6,8 replacement 38:24 replacing 35:23 42:7 244:18 report 3:8,14 8:21 9:23 10:4,10 12:8 39:12 41:6 59:10 60:4,6,8 62:10 82:2,8 93:16 96:18 102:13,19 102:21 105:10,11 107:6 109:7,15 116:1,20 122:21 133:1 136:6 137:3 138:9,18 139:20 143:17 144:4 149:19 158:25
--	--	---	--

[report - reviewed]

Page 37

163:22 165:10 167:8 170:14 189:24 192:3,11 193:4 204:2,13 206:3,20 213:13 214:17 218:13 229:22 231:14 234:8,18 236:14 236:18,22 237:6 237:10 reported 176:2 reporter 5:5,21 7:1 126:13 247:5 249:7 reporting 176:20 190:13 206:9,10 206:19,23,24 reports 102:9,10 105:6 110:12,13 111:6 190:17 represent 214:19 representative 95:2 representatives 227:4 represented 10:11 representing 5:4,6 request 58:12 72:11 78:15 85:11 168:8 250:9,11 requested 84:16 209:10 require 36:11 157:18 required 28:12 36:12 248:25 requirement 87:17 175:20 178:6 209:18 requirements 117:16	requires 136:5 research 58:21,24 64:24 150:24 226:11 researched 58:18 researching 75:3 resell 220:6 221:6 reselling 220:9 reserve 186:3 resource 55:25 227:25 resources 15:11 15:16 16:6,7,8,11 64:15 157:10 215:9 217:25 218:4,9 227:18 respect 159:23 179:23 respond 46:4,8 response 76:23 responses 50:23 responsibility 13:6 21:11 responsible 12:14 28:21 49:8 58:4 90:24 93:22 94:15 rest 106:22 199:21 result 18:23,24 19:3 45:9 117:19 130:25 133:16,20 168:7 172:14 193:15 219:9 220:19 resulted 63:10,17 65:2,25 120:8 222:16 results 131:11 133:8,15,17 181:2 199:13,25 222:17 235:20 236:9 246:1	retain 55:11 retaining 55:4 195:16 retention 31:21 retrieval 175:15 retrieved 175:5 retroactive 37:10 return 106:6 returned 248:18 reused 228:4 reveal 134:20 revenue 31:20 39:9,12 54:4,9,25 57:6,9,16 58:1,8 58:23 59:18 63:22 64:17 65:3,4,8,9 65:11,12,14,15,15 65:19,25 83:22 84:2,6,11,16,21,24 85:1,4,5,12,18,23 86:2,4,7,9,11,16 86:19,21 97:15 108:11 112:23 113:22 116:9,16 116:24 117:3,5,8,8 117:13,15,19 118:4,10 119:5,23 120:4,9,16,19,19 120:23 121:2,9,13 123:10,11,18,22 123:24 124:16,18 124:25 125:12 127:4,9 141:5,12 141:14,15,18,22 141:23,24 142:4,9 142:10,10,13,14 142:19,22,24 143:2,3,8 154:13 154:14,17,19,21 155:7,18 156:2 157:2 168:9 170:7	170:8,10,12 171:5 171:6 172:11 173:16 174:13,16 175:12,13 176:6 177:14 193:9 195:11 198:22 204:5,12,15,15,18 205:6,7,12 206:13 206:14,16 209:14 215:19,20 219:5 220:11 221:14 224:10,13,16,20 224:22 225:9,11 232:10,15,21 233:1,9 234:11,11 234:17,17 235:20 237:13,18,19,22 237:23 238:12,20 239:2,7,15 240:18 240:20 241:3,4 242:1,14,25 243:7 243:16 244:8,15 244:25 revenues 56:20 60:14 121:18 155:2 159:23 review 19:24 30:16 81:5 91:8 102:11,18 108:21 113:24 122:13 130:9,24 131:4 134:20 166:5 213:13 239:17 248:12 249:1 250:1 reviewed 38:17 58:21 67:21 79:25 80:2 102:8 120:12 125:6 130:10 196:21 216:15 217:17
--	---	--	--

reviewing 78:20 79:17 91:12	233:24 246:13	144:17,22,23	128:2,4,20,22
rfi 3:24 78:15 81:2 81:5,8,9,11,12,14 87:3,7,9,15 88:8 88:14 89:10,25 90:16,25	rightrisk 34:4,5,12 35:5,7,8,10,11,13 35:15 37:19 38:19 38:23 39:10,13,17 41:16,18 42:7	145:3 155:22 156:6 157:18 174:5 199:5 202:16,21 203:1 209:17 221:19 228:24 232:8,11 232:16,22,23,25 233:1,6,10	129:4,8,9,16,19,21 129:23 130:3 131:22,24,25 132:1,3,6,6,8,20 133:3,9,18 137:18 143:20,21 144:21 148:10,19 149:15 149:16 150:1,7,8 150:10,19 151:16 152:17,19 153:3 155:13,14,16,17 158:6 159:14,19 162:13 163:5 170:4,15,19,24 171:6,11,15,19,20 171:21 172:1 173:20 175:4,19 176:15,17,18 177:4,5 181:7,11 181:14,17,19,20 181:24,25 182:3,7 182:14,18,20,22 182:25 183:19,22 183:24 194:2,10 196:11 202:12 203:10,20 213:20 214:8 215:5,6 217:1 222:3,16 223:5,7 225:9 228:24 229:8 230:9,11,18 232:4 232:20 233:17 237:20 243:21 249:5 250:5
right 12:24 17:15 18:7 21:4,21 23:15 24:13 26:23 31:15,18,22 32:2 38:8 40:10,12 41:20 44:9 45:10 47:19 52:25 54:10 54:22,23 55:9,13 55:14 65:14 69:19 69:20 71:19 73:14 73:19 75:6 77:23 85:7 86:12,18,22 89:2 91:1,5 92:13 99:5,7 104:14,21 108:7 112:6 119:24 126:20 128:16 135:23 145:6,9 146:6,14 146:14,16,25 148:20 149:6,8 150:8 151:15 153:13 154:11 155:25 158:11 165:7 169:5 177:3 180:17 183:1,11 184:5,6 186:3 192:9 194:3 200:9 205:17,21,24 207:18 208:13,15 208:20 209:1,19 212:3,9 218:21 219:8 220:7 221:18,19,21,24 224:5,9 232:24	risk 20:7 110:24 142:5 147:14,14 148:5,12 170:21 171:2 177:8 208:8 208:9,16,20,23 209:6 230:10 risks 98:21 208:17 222:7,8 rma 231:19,20 robotics 114:4,25 115:3 roi 205:16 role 49:6 56:19 62:23 63:12 64:20 70:18 76:6 77:22 77:25 78:14,18 79:23 90:20 147:21 184:19 192:4,6,7 218:11 roles 64:18 149:12 171:20 room 5:10 roughly 215:3 217:10 route 172:9 209:19 routing 50:22 173:5,15 209:20 rule 18:6 21:17,20 73:12 79:5 87:10 88:24 111:20 118:24 119:1,11 119:12,13,18,19 120:2,16 144:16	rules 3:20,24 17:19 18:2,3,3 19:11,11 20:2,6,15 20:17,19,22,24,24 21:1,2,3,5,6,7,10 21:12,14,15,24 22:4 28:14 29:22 35:9,9 36:4 41:23 45:12,14 49:14,25 50:4,19,20,22,24 51:1,11,11,12,16 51:17,18,25 52:2,2 52:4,6 53:18 57:5 57:8,11 62:23 65:16 68:2,6,12,25 71:20 72:9,10,14 72:17 78:1 79:4 79:14 80:10,13,16 80:17,19 82:11,12 82:20 83:6,7 87:10,14,17,23,24 88:2,3,5,11,12,16 88:17,18,23 90:1,4 90:8,9,11,20,25 91:16,16 92:23,24 93:1 95:24,24 96:1 114:20 117:1 117:12 118:9,19 118:22 120:8,15 120:18 121:22 122:3,12,16 124:15 127:22,25	run 25:22 40:22 43:8 132:8 133:11 187:13,13,21 running 125:20 158:1 189:1

[s - services]

Page 39

s	238:17	32:22 41:22 44:17	208:14,19,19
s 3:6 4:1 191:8,9	scaled 193:24	45:25 46:21 49:8	senior 8:22 137:8
248:15 250:8,8	scenario 29:15	52:20 54:16 55:2	147:20
251:3	118:21 146:23	56:15 70:18,18	sense 116:6,10,11
sale 9:6 40:18 42:2	scenes 20:23 68:24	99:25 107:5	192:9
111:11	73:13 74:3,5 77:1	109:15 113:16	sensitive 4:11
sales 8:6 48:11,13	schedule 182:6	123:20 128:4	114:8
salespeople 94:16	scheduled 70:19	144:3 152:22	sentence 11:11
santucci 75:19,20	174:21	153:13,17,18	53:2 54:19 55:2
75:23 76:13,24	school 56:5,9	177:22 179:9	83:19 89:7 110:6
77:4	schraer 69:8,9,24	186:4 188:6 191:5	111:9 113:13
save 245:19	science 55:23,23	191:7 196:20	114:13 116:5
saved 169:4	56:12	202:14 209:25	117:11 118:8,18
235:13,15,24	scope 50:16 56:22	210:2 222:6	133:1 137:9
236:3,16 245:16	108:21 113:24	seeing 110:15	150:17 192:11
246:5,6	123:4,5 159:8	167:25 188:22	separate 75:14
saving 220:15	189:2 241:10	seen 9:24 61:6	153:5 174:7
savings 61:5,9,12	242:5	145:17 196:25	199:20 201:24
61:15,20,23 63:7	score 207:24 208:3	197:2 231:5	217:2
63:17 85:21,21	208:6,6 209:4,9	segment 153:16	separated 153:2
108:17,20 114:15	210:13	158:3,5	separately 45:16
122:1 125:5	scores 209:6,22	segments 106:19	separation 20:14
235:23,23,25	screens 37:23	107:9	sequence 37:9,12
saw 81:2,8 83:10	159:11	seizing 106:17	series 30:2,13 32:5
91:20 137:13,17	screenshots 67:21	107:9	32:19
149:18 197:5,6	seal 247:15 249:15	sell 9:1 25:4 28:4	serve 8:21 111:20
213:25 216:18,19	250:21	33:16 34:9 35:15	served 8:18 17:8
223:11,18 229:22	second 25:17	47:5 98:9 99:5,10	service 6:16 71:20
saying 65:13 79:12	52:20 54:16 83:19	150:25 157:11	130:14,21 131:12
80:15 86:3,12,18	110:21 116:5	193:17	174:5 190:19
108:6 233:21	133:1 155:8	selling 33:13 34:1	195:19 211:11
says 5:25 25:22	158:10 229:2	34:8,8,18,24 35:3	214:19
37:4 49:4 54:19	section 11:9 100:1	51:6,10,22 69:16	services 6:17 7:14
91:2 109:25	106:8,15 107:5	150:6 206:21	7:21,25 8:3,6,8,16
110:23 112:15	109:8,11,16	218:16,25 219:1	9:3,8,16 10:23
113:21 114:13	151:18	226:5	11:12 27:6 30:24
116:6 117:11	sections 107:7	sells 150:7	41:3,4,5 46:23
118:18 133:1	see 7:8 8:21 9:10	send 172:12,14	47:16,23 48:6,9,10
137:9 176:20	10:19 12:8 18:5	207:18,19	48:12,14 59:8
200:14 201:7	20:2,23 21:17	sending 15:12	93:12,19 130:6
214:25 230:22	31:11,11,12,14	38:15 208:12,12	215:1,7 216:22

[services - source]

Page 40

217:3,4,7,11 220:25 244:3 set 19:11 27:7 33:6 61:16 84:16 97:13 128:22 132:1 139:20 141:13,14 159:14 168:4 170:19 175:2 211:8 231:13 sets 65:16 99:13 159:19 208:17 setting 91:25 123:24 131:21 204:17 seven 12:15 183:7 severity 208:8,9 shakes 7:3 share 30:20 60:6 95:20 106:12,12 222:20 shared 95:22 sharing 30:24 sheet 199:4 248:13 250:7,10,18 251:1 shelf 24:2,19 25:11 shift 17:7 21:11 shopped 33:20 short 40:4 109:1 135:5 158:19 198:1 234:23 235:2 shorter 228:18 shorthand 126:13 247:5,8 shot 146:4 show 19:22 165:19 198:17 showing 145:21 shown 145:21 248:16	shows 87:9 106:11 153:21 163:19 165:18,23 186:16 186:19 215:1 side 9:1,1,9 24:4,5 61:9 77:11 207:24 sign 84:10 246:14 signature 10:8,10 10:12,13,16 247:18 248:14 signed 6:15 249:13 250:18 significant 8:11 31:16,19 79:23 138:21 166:3,11 168:25 184:10 214:18 220:24 significantly 167:21,23 signing 248:19 similar 18:3 35:5 41:24 42:7 50:13 72:12 109:16 110:12 111:5 133:9 193:22,23 simple 200:5 209:17,20 simply 100:25 133:6,13 242:7 simultaneously 17:9 sincerely 248:21 single 9:18 204:16 204:16 205:5 224:17 sir 248:10 sit 7:8 74:4 sits 74:3 sitting 135:23 189:5,12 200:8 213:7 228:25	situation 135:3,21 six 87:19 150:4 sixth 2:9 size 24:13 196:1 215:24 skill 147:6 208:17 skills 99:22,24 slide 152:21,21 153:6,8 164:7,8,25 165:1,11,18 223:9 223:10,11,12,13 223:14,17,19,20 223:24 227:6,9,10 slides 151:25 152:1 153:21 slipped 234:6 small 23:2 29:11 29:12 30:3,25 46:15 85:24 89:14 111:12 160:6 166:19,22 180:2,3 181:18 183:6 184:19,23 189:22 smaller 89:2 soft 85:21 software 6:16,16 7:24 8:5 11:12 14:7,8 27:7 33:18 33:25 34:1 35:2 44:7 47:15,16 48:13 53:12 59:20 116:7,18,22 117:9 119:25 138:4 148:10 149:12 150:10 187:5,11 187:15,17 188:11 188:14 189:13 190:6 191:15 210:25 213:20 214:7 217:23 218:2,7,17,20	219:23 220:4,6 221:5,6 231:18 sold 45:15 47:7,13 47:18 48:3 93:12 93:19 117:22 118:3 142:20 174:16 175:13 176:12 193:13 243:4 solely 183:15 217:19 221:5 solution 19:20,21 24:25 41:15 42:13 42:18 43:13 45:11 46:4,21 47:11 49:14 87:18 190:9 solutions 5:4,7 7:24 8:3,8,15 11:12 24:3,21,22 24:23 26:1 32:23 34:17 40:10,24 41:22 49:6,6 192:18 248:1 251:1 somebody 152:4 156:20 195:14 210:14 somewhat 72:13 sooner 44:9 sorry 30:5 67:6 106:1 125:24 128:18 167:9 189:18 191:9 213:10 223:16 227:8 237:1 sort 27:16 42:17 44:25 45:3 129:10 157:5 237:24 sorts 13:4,9 source 21:12 194:11 225:4,4
--	--	--	---

[sources - subject]

Page 41

sources 152:12 195:11 196:16	speed 36:19 53:3,4 53:4,8 54:20 83:2 83:5,5 91:17 144:23,24 169:18 204:3,8,17,20 205:1 221:13	238:22,25 state 5:11,13 39:8 82:10 88:12 122:23 138:4 143:14,22 159:2 167:8,11 176:8 178:6 186:8 193:4 202:14 211:23,25 218:18 233:16 247:1,5 249:10 250:15	stayed 117:22,24 stem 161:17 step 175:8 steps 194:3 steve 62:14 stg 41:19,20 42:2 42:13 43:13,23 45:11 46:3,19,21 47:7 50:4,5,10 51:21
sourcing 23:19	speeding 36:25	stated 129:17 204:13 225:20 229:1 234:6 238:11	stock 25:4,6 26:8,9
south 2:3,9 4:4	spend 114:5,22 115:10	statement 108:1 111:6 113:8,10 114:11,18 128:19 137:12 138:8 150:23 151:14 159:7,7 167:22 169:14 178:24 181:10 183:5 192:3 214:22 218:22 220:3 249:13,14 250:19 250:19	stop 240:7
speak 62:6 64:19 66:8,16 68:16 69:8 75:19 77:6 77:17 81:24 90:15 91:7 92:9,15 101:24 139:8 140:3 185:12	spent 79:9	statements 110:12 130:6,9 131:5 139:6,6 216:16,17 217:15 234:2	stores 177:10
speaking 70:5 92:3,4 144:9 166:22 176:13	spoke 62:13,18,18 81:10,21 90:2 115:6 140:2,6,6 152:4 181:4	stay 44:19	storing 175:14
special 22:13	spoken 245:22	states 1:1 4:23 89:12 170:14 180:16 192:11 204:2 213:13 214:17 234:8 240:23	strategic 56:9 89:12,17,21 112:18
specialty 197:7 233:19	sponsored 56:6	status 175:6	strategies 23:20 106:13 138:7,10 138:14,16
specific 59:17 62:22 66:21 67:11 70:1 71:22 72:19 90:3 115:13 123:5 128:4 187:12 189:16,18 222:22 236:12 240:6	spot 197:19	stating 221:3	strategy 13:6 23:23 24:13,19 25:1 106:23 138:19 161:15
specifically 17:17 29:8 39:5 59:25 63:8 71:3 80:15 84:1 85:15,16,16 100:18 121:24 137:14 153:8 161:1 162:1 168:18 178:1 188:18 193:3 214:4 217:6 239:13	spreadsheet 133:2 178:19 179:6,8,25 180:21 181:1	stay 44:19	street 2:3,9 4:4
specifics 81:14	ss 247:2	states 1:1 4:23 89:12 170:14 180:16 192:11 204:2 213:13 214:17 234:8 240:23	strength 116:23
speculation 27:19 54:1,13 147:12 155:21 219:14	staff 24:10	statements 110:12 130:6,9 131:5 139:6,6 216:16,17 217:15 234:2	strike 125:10 180:19 199:8
sped 44:7	stand 103:9	states 1:1 4:23 89:12 170:14 180:16 192:11 204:2 213:13 214:17 234:8 240:23	strip 242:22
	standard 92:22 93:3 96:7	status 175:6	study 125:17 204:25 210:21 212:20 224:3 233:13 234:13 245:18
	standardize 148:11	stay 44:19	stuff 56:13 69:16 136:23 146:12 176:9
	standing 87:6		subheadings 162:7 162:8
	standpoint 88:21		subject 66:19 95:4
	stands 178:3 231:19		
	start 34:17 55:21 55:22 62:17 93:11		
	started 55:22 94:1 94:2		
	starting 21:16 26:12 75:6 102:22 106:2,13 139:14		
	starts 26:12 29:25 57:17 106:8 111:10 113:13		

[subjective - takes]

Page 42

subjective 169:1	102:4,5 107:16	157:8 158:16	185:11 192:21,22
submissions 36:2	116:2 121:5,14	161:14 164:6	194:4 203:1 237:9
37:20	127:19 128:14	168:15 170:1	237:17 238:1
submit 21:10 38:3	132:16,24 133:25	177:11 186:20	t
72:10	138:7,25 150:23	197:21 211:6,18	t 3:6
submitted 10:5	151:13 161:12,16	212:4,7,15 216:10	table 129:20
subscribed 249:10	162:17 171:7	230:18 232:23	134:13 135:17
250:14 251:21	172:18 175:16	237:25	220:10
subsequent 213:14	182:23 183:15	suspect 114:25	tables 196:10,11
substantiate 216:8	184:18 186:13	swear 5:21	tags 206:8
substitute 133:6	187:3 213:1	sworn 5:25 247:6	take 4:18 7:2,9
success 42:19,21	214:14,22 216:21	249:10,13 250:14	13:23 14:4,9
106:4	217:1,2 218:14,24	250:18 251:21	16:13 18:22 27:11
successful 39:6	220:25 224:21	synonymous	27:12 28:14,17
42:23 98:2 100:14	225:18 226:7	203:12	30:6 39:23 59:17
100:21,23 101:3,5	236:7 239:24	system 11:18	62:20 86:15 88:13
103:14,21 104:6	240:8 241:6,16	13:14,15 16:1	88:13,17 98:13,21
104:11 107:4	244:11,16	17:20 18:6 27:12	104:25 105:21
successfully	supported 159:12	27:16,22 28:6,15	115:17 134:16
174:16	173:5	29:13 32:2 33:14	144:11 146:23
suggested 124:8	supporting 28:8	33:16 34:8,13	149:23 153:23
suggests 113:14	33:7 73:16 87:12	35:13,13 37:11	157:23,24 158:13
suitable 203:17	239:3,10 240:9	41:7 46:12 74:1	158:14 196:1
suite 2:3,9 248:2	241:5 244:17	78:1 79:5,15	197:22 199:10,20
sum 46:15	supportive 193:1	80:14,20,24 82:12	199:22 201:12,14
summarize 169:24	supports 105:16	83:11,17 87:23	204:11 220:9
177:3	153:1 160:6	91:1 114:21	221:11 233:5
summary 106:21	185:10 193:5	150:11 160:3	234:22 243:18,20
184:2	195:5 234:19	173:14 175:2,14	243:20 244:6,23
superior 248:1	237:21 238:16	176:15 183:19	245:6,10
supplier 41:1,1	239:22 240:3	189:4 190:19	taken 1:25 4:3,21
93:12,19	242:20 245:12,12	192:19,20 193:5	40:4 63:21 109:1
suppliers 40:16	supposed 119:14	194:11	115:21 142:6
180:15	sure 8:10 11:19	systems 8:12,12,13	158:19 198:1
support 11:15	12:13 15:23 22:6	8:13 11:15 18:4	199:23 222:7
14:1,12,13 17:23	23:8 24:17 25:8	20:15,16 28:8	235:2 247:10
17:25 28:4 29:14	30:6 32:8 36:16	35:24 37:7 38:25	takes 107:13,16
35:9 57:16,20	55:13 60:10 61:8	42:8 48:1 56:2,12	116:25 175:2
64:17 66:22 82:15	64:5 78:8 101:15	70:16 77:9 149:17	190:16 225:24
83:23 87:14 88:25	120:3 139:25	149:24,25 159:18	234:20
98:6,11,22 99:7,11	147:1 149:7,21	176:4 183:3,21	

[talk - thing]

Page 43

talk 14:24 66:4 71:8 80:8 81:11 89:16 96:17 110:16 120:24 134:13,16 135:24 171:10 193:2 194:17 207:9 226:19	technical 56:11 64:14,14 technologies 8:17 13:20 24:2,3 48:18 56:11 70:2 101:19 138:21 149:11 186:11 188:25 191:23 244:9	148:14,18,22 157:10,14,16,25 158:7 160:6 168:8 168:23 174:7 183:18 184:20 187:21 191:22 192:5 204:16 205:5,7,15,19 210:20 218:24,25 219:1,4 222:11 224:10,12,14,17 224:20,24 225:7,8 225:10,14,19,21 225:25 226:3,6 230:13 231:16 233:4,11 235:22 236:5,7,12 237:19 238:11,15,19 239:3,6 240:23 241:3 242:11,20 242:22 243:3,6,8 243:18 244:5,11 244:12,13,16,19 244:24 245:7,7,11	tells 65:10 ten 68:12,13 116:19 146:23,24 189:9,23 243:8,9 tenure 24:6 term 111:13 215:21,24 terminology 35:12 terms 46:9 57:25 80:10 93:3 113:2 114:3 177:14,15 220:23 territory 176:8 test 7:8 20:2 234:13 testified 221:23 testify 64:1,8 247:6 testimony 108:15 168:12 169:7 224:7,18 237:14 241:9 249:6,7 250:6,9,12 testing 118:24 219:25 texas 178:5,6,8 180:10 213:4 thank 99:1 105:4 238:7 theberge 70:17 71:8,22 73:6 theirs 99:19 theoretically 53:22 195:22 thing 38:4 68:18 101:1 108:11 116:25 145:3 228:7,9 229:3,4 239:24 240:8 243:22
talked 70:22,23 74:13 82:3 89:18 93:3 103:18 120:7 120:25 121:21 127:21 172:22 175:18 211:2 talking 15:3,14 52:25 63:5 68:11 69:11 70:4 102:1 110:5 113:11,12 151:19 206:1 228:20,21 talks 106:4 138:10 153:8 171:10 tape 108:23 taps 11:21 12:4 66:24 68:18 74:19 74:20,20,22 176:25,25 177:2 178:1,3,8,18 179:1 179:23 180:22 181:1 199:18,20 201:24 202:22 203:4 211:2 212:22,23 213:2 targeted 24:23 197:7 task 210:5 tasks 179:22 tax 136:23 team 28:19 42:24 42:24 82:2 139:25	technology 8:11 8:11 13:7,20,22,22 13:23,24 14:4,10 15:15 18:11 22:1 23:14,16,17,22 24:4,9,14,15,19 25:10 26:22 27:2 28:22 29:2,3 34:20 41:23 45:8 45:13 50:5,5,8 52:1 57:14,20 58:1,6,7 59:8,20 65:17 77:8 84:11 84:16,18,21,25 85:6,10,11,24 86:3 86:8,15,19,20,21 86:22 97:14,18,20 97:22,23 98:3,5,7 98:9,10,10,11 99:9 99:11 100:5,6 102:2,23,24 103:1 103:4,11,13,13 104:1,5,11,12,15 104:17,19,22,23 107:16 109:17 110:5,16,16,23 111:10 113:7,17 114:3 117:4 121:1 121:9 124:17 125:18,21 126:17 130:20 138:18,20 145:4 146:2,7	telephone 212:23 tell 17:19 22:24 30:2 36:23 55:18 62:20 63:2,24 70:10 71:1 78:18 79:3,13 90:18 94:21 95:9 97:9 98:25 100:11 163:9 164:6,7 172:5 173:8 174:23 190:5 194:9 201:17 202:10 206:17 210:14 216:18 225:12 244:7 telling 200:20 201:3	

[things - transaction]

Page 44

things 16:4 25:15 31:12 65:23 67:15 73:21 85:22 87:19 92:1 100:22,23 118:23 136:21 144:2,23 145:6,9 154:4 164:12,23 175:7 176:19 221:17,20,21 think 10:15 11:5 15:7 30:18 50:6 59:5,25 69:17,19 74:20 75:21 76:16 76:16 80:22 81:16 82:2 83:4 91:23 103:5 106:14,20 115:17 122:10 124:14 131:16 132:14 135:5 138:14 145:10 149:18 160:18 167:20 168:17 171:9 172:3,19,23 174:3 182:9 183:24 186:23,24 205:3 206:14 214:25 216:18 222:2 224:17 227:3 230:7 234:5 234:23 235:18 241:23,23 244:6,7 246:12 third 25:12 48:11 49:25 50:9 89:8 100:1 113:25 126:3 184:22 186:10,17,23 187:5,11,15,16 188:11,14 189:13 189:20 191:15 203:9 210:23	thirds 109:22 thirty 248:18 thought 160:23 225:19 thousand 124:22 thousands 147:3,4 147:5,17 148:25 181:14 three 48:24 101:17 102:5,6 164:19,19 threshold 212:5 tie 85:25 86:1,9 108:16,19 169:12 169:14 204:15 205:4 236:11 tied 104:13 116:13 tier 149:18,20 213:25 214:2,20 215:6,17,17,21 216:1,1,2,2,12,12 tiers 216:4,8 time 5:14 6:12 7:5 13:19 15:6,14 17:11 23:4,5,24 28:7 30:6,17 33:12,19 37:7,11 37:22 38:1,17 39:25 40:3,8,20,21 44:3 47:12 49:1 49:23 52:22 59:14 59:15 60:1 61:17 76:19 77:20 80:22 81:10 82:21 83:2 85:14 88:23 91:17 93:25 94:7,13 102:20 105:21 108:25 109:5 114:6,7,22 115:11 115:20,24 122:11 122:15 126:3 144:22,24 146:12	146:12,16,17 157:19 158:18,23 169:1,18 176:16 197:25 198:5 199:13 200:1 210:8 213:20 227:12,15 228:18 231:14 235:1,5 245:8 246:16 times 6:9 36:3 38:10 48:23 66:9 66:16 69:8,10 70:21 75:19 117:12 118:8,18 126:1,23 135:19 164:19 222:4 229:7,12,15 232:20 239:20 240:2 245:3 title 143:10 titled 100:1 106:8 106:15 today 6:5,24 7:13 59:16,22 60:2 98:13,16 99:17 101:14 105:7 150:6,10 189:5,13 213:7 228:25 229:17 235:12 242:4 243:11,14 243:16,18,19 244:10,25 today's 149:8 246:15 told 75:17 79:25 104:1 118:22 119:7 168:17 178:20,21 189:19 199:17 207:22 209:17,23 226:15	tool 45:1,3,5 57:9 87:23,25 121:1,5,9 121:13,13 153:1 168:9 177:3 190:13 207:14 210:10 225:7 tools 25:12 top 52:20 62:17 107:20 113:25 156:13 158:25 160:19 191:4 230:5 total 181:18,24,25 182:3,17,20 185:10 touch 164:16 166:11 195:21 196:5 touches 163:20 164:9 165:4,6 166:19,22 touching 152:17 163:11 tour 67:19 tout 51:14,21 track 49:24 61:16 84:7 205:15,21,23 231:11 tracked 85:1 tracking 177:1 tracks 177:20 trades 50:3 train 130:22 training 217:5 trait 101:2 traits 101:4 transacted 176:14 transaction 200:23 201:16 232:17,19 233:2,8
---	---	--	--

[transactions - underwriters]

Page 45

transactions 9:2 200:16,18,21 201:4,7,8,9,13 210:1 transcribed 249:7 transcript 3:15 132:23 247:7,7,12 248:11,12 249:5 249:12 250:5,11 250:17 transform 112:19 transformation 13:18 112:23 113:12,22 transforming 113:4,5 transition 33:24 translate 234:10 translated 217:12 234:16 trial 6:21 tried 25:10 165:12 true 159:20 178:24 247:7 truly 123:21 truth 247:6 try 86:16 123:19 139:12 trying 93:14 126:6 152:3 157:11,23 188:17,21 195:15 224:13 241:18,22 241:24 turn 4:13 44:11 213:10 turnaround 122:10 turning 122:21 152:21 twice 46:14	two 10:9,9 18:21 65:22 66:18 73:21 104:4 109:22 111:11 144:23 145:5,6,9 194:21 194:21 197:9 200:17 242:5 tying 86:11 113:16 type 8:2 9:8 26:25 32:18 41:4 45:8 82:25 179:3 200:23 206:7 208:16 223:20 types 23:19 35:25 typical 214:20 215:17 typically 21:7 typo 172:23 u ui 159:11 ultimately 33:3 50:2 118:7 129:5 129:6 130:22 um 6:25 8:23 9:7 9:25 11:10,13 12:10 13:3 16:25 21:19 22:12,15,15 22:19 25:18,21,25 26:5,14,19 27:13 28:16,18 30:1 43:4 44:14 45:22 46:2,6 49:9 51:20 54:8 56:21 58:13 73:3,5,7 77:24 81:23 82:14 87:2 89:9,11,15 96:19 96:21 98:14 100:3 103:23,25 104:3 107:21,25 108:5 109:10,24 110:4 110:20,22 111:1	111:14 112:17,21 114:9 116:21 117:14 118:11 127:2,5 128:11,17 129:1,3,12 135:13 137:5 138:24 139:4 143:13,16 143:24 152:23 153:7 156:18 158:12 159:1,21 160:8,20 161:11 166:2 167:3 170:17 173:7,25 174:19,22 175:23 180:14 182:4 183:9,14 184:1 185:3 190:4 192:14 193:20 194:14,16,19 196:2 198:10 199:1 201:11 202:18 203:11 204:1,6 206:4 207:11 210:3 213:12,17 214:21 218:1 220:12 223:1 227:14 233:20 234:12 235:14 237:11 238:18 240:16,22 242:23 unable 168:18 underlying 73:16 understand 7:4 17:14 60:10 62:18 65:22 112:3 125:15 126:6,6 127:3 134:15 135:3 142:5 153:24 158:3 188:23 203:20	220:5 224:7 241:22 243:11 understanding 36:24 87:6,21 88:15 173:21 190:8 192:21 194:20 196:8 206:5 207:13,16 211:4 224:18 understood 45:17 72:25 73:22 103:18 124:18 125:2 131:21 224:15 225:12 undertake 27:17 100:15 122:23,25 167:4 168:2 179:22 199:9 202:5 204:7,24 234:13 undertaken 180:24 191:14 203:15 210:21 212:11,19 224:3 245:18 undertook 123:25 125:16 underwrite 19:8 74:2 170:22 209:8 209:12,13 underwriter 20:18 20:21 70:22 73:6 142:12,13 144:15 146:1,3 172:10,13 172:14 194:24 207:18 208:4,13 208:15,20 209:2 underwriters 16:9 21:13 56:8 114:5 114:22 115:6 139:14,21 140:6
--	---	---	---

[underwriters - viable]

Page 46

140:20 142:2,3 143:11 144:13 146:24 147:5,18 147:20,21 148:1,5 170:19 171:18,23 173:2 underwriting 14:21,22 19:10,20 19:21 20:1,3,6,8 34:14 47:17 48:2 70:25 71:18,21 72:23 73:20 74:8 76:21 78:12 98:17 98:18,23 99:15 101:10,15 102:2 105:22 106:1,4 107:1,5 108:8 117:15 147:6,10 147:14,15 148:11 148:15 164:15,16 164:18 170:15 171:15 172:1 176:17 177:4,8 195:2 199:3 202:24 207:9,15 208:17,25 209:1,2 225:17 226:14 239:13 underwritten 208:10,20 222:7 unique 23:14 unit 4:20 96:5 214:2 united 1:1 4:23 180:16 units 64:16,20 66:5 153:16 158:8 university 56:10 unquantified 95:21	unquote 192:17 208:15 update 53:17 updates 170:3 updating 83:7 upfront 177:5 211:18 usage 69:2,11 160:18 use 8:10 12:7 14:10 50:5 51:3 52:21 56:17 59:7 61:12,23 63:7,9 67:12,17,18,23 68:21 70:3,8,24 71:2 76:25 82:5 83:22 90:4,5 91:4 94:23,25 95:5,6,9 97:20,22,25 98:1 98:11 99:7,11 109:16 114:4 115:2 116:6 122:14 123:7 128:22 131:9 149:16 150:11 160:3 161:14 166:5 169:5 170:2 172:16 176:25 177:18 178:25 179:6 180:21,25 181:5 183:6 184:23 187:25 191:13 194:6,7 196:9 198:18 199:11,11,24 200:10 201:22 203:17 204:9,22 206:11 207:19 209:22 212:14,15 212:18 214:15 215:24 216:1,2	218:6 223:2 227:18,24 233:17 233:25 237:16 238:1 246:7 user 45:5,8 73:10 user's 87:18 users 19:21 21:10 22:2 53:16 72:15 153:17 158:8 uses 95:6 99:20 111:17 116:5 150:9 169:21 170:14 174:2 186:10 188:1 218:24 222:3 225:1 239:17 243:18 usually 58:5 179:15 utility 11:25 12:2 12:5 165:23 192:23 utilized 74:5 v v 216:2,12 248:6 249:3 250:3 vague 16:17 27:18 155:21 242:16 vaguely 139:25 valid 220:21 validate 188:22 218:10 validity 219:25 valuable 34:21 value 26:3,6 31:16 31:16,19,24 32:17 32:18 35:19 37:14 42:5 51:9 86:16 106:12,12 114:6 114:13,23 115:5 115:11 130:14	159:22 213:4 229:23 230:6 243:5 variables 27:5,8 85:23 168:22 187:22 200:25 various 9:2 14:18 67:21 76:1 91:20 91:21 159:17 189:15 204:3,9 215:13 vb 190:21 191:8,8 vb.net. 190:23 vbs 191:1,2,5 vector 47:15,22,23 vehicle 37:4,5 vendor 90:5 vendors 93:2 verbal 7:2 verbally 189:7 verduin 69:3,4 verification 179:5 verify 178:23 veritext 5:4,6 248:1,7 251:1 veritext.com. 248:17 version 52:21 191:9 versions 14:8 versus 1:8 4:22 19:18 21:3 38:15 49:25 73:20 82:5 85:12 100:23 144:22 145:18,20 175:6 188:25 215:8 verticals 9:3 viable 201:21 202:1,7 203:5 210:11
---	---	--	--

video 4:17,20	134:15,16 144:3	website 128:3	250:15
videographer 2:22	154:19 156:9,16	weigh 167:6	witnesses 245:23
4:8 5:5,20 40:2,6	156:20 157:6	went 34:7 40:10	witness' 248:14
67:1,4 108:24	158:5,13 170:21	40:19 48:22 55:20	wmw 1:4
109:3 115:19,23	208:5 216:3	56:5 58:16 112:5	woodward 2:17
158:17,21 197:24	228:11 231:11	118:1 165:10	wooded 33:1
198:3 234:25	234:22 235:6	wharton 56:5	word 11:14 181:4
235:4 246:15	237:25 241:25	whereof 247:15	239:18 241:16
videotaped 1:14	242:4	whispering 4:12	words 84:23 242:1
4:2	wanted 19:25 29:6	whitener 122:23	work 8:4 10:17
view 86:24 88:19	29:7,13 32:11	231:6 234:10	12:11 13:9 16:12
98:15 106:21	33:15 80:12,18	whitener's 234:18	16:13,23 18:9
165:5 173:17	88:15 92:23 93:5	winners 110:1	20:19 23:11 26:25
186:15,19 188:20	94:24	112:16	35:18 53:14 61:17
190:2 231:2	wants 157:1	wire 3:11	61:21 68:1 74:15
239:10	way 14:13 24:16	wise 146:12	94:6,12 130:7,9,25
virginia 56:10	26:7 31:7 32:5	193:23 244:3,3	131:5 162:11,22
visible 74:6 159:2	35:7 56:15 60:14	245:6	162:25 163:4
159:3	60:20 84:8,18	witness 1:14 4:3	165:23 172:3,23
visual 50:7 190:24	85:8 86:13 107:17	5:21 6:20 8:19	173:4 201:12
191:8,9	108:6 109:22	15:7 16:18 27:20	209:20 213:4
vital 110:2	118:14 122:18	30:9 39:23 41:12	215:8 216:16,17
volume 18:14,22	131:10 134:4,6,9	50:17,19 51:25	217:15,21 227:23
144:2 146:11	136:4,5 141:6,8	54:2 59:4 64:4,10	227:23 229:20,23
179:13,15 180:9	147:25 148:3	67:6 96:12 105:4	230:2 231:18
180:11,18 184:4	149:8 150:13	108:16 121:5,12	worked 12:8 23:4
200:2,15 210:7,20	151:1 153:22	126:16,24 131:16	55:24 84:9 93:8
213:6,8 216:19	154:25 164:12	134:12 135:20	93:10,18 94:10
243:5	172:11 177:14	146:21 147:13	100:17 134:2
volumes 145:2	180:19 181:5	155:22 156:4	workers 178:5
146:11 194:1	182:19 184:12	157:1 158:14	180:9 213:4
w	195:9 198:17	168:13 169:9	working 6:15
wait 38:7	199:8 200:8	185:14 187:1	22:20 27:3 42:23
waived 248:19	201:17,25 205:3	193:12 197:22	48:24 93:23 96:12
walk 19:14 128:12	206:20 217:16	219:16 220:18	119:25 171:17,18
want 10:15,24	236:17 237:5	226:17,22 238:6	183:20
13:21 14:10 18:19	243:13,16 245:25	238:22 239:10,21	workload 143:15
19:7,8 30:5 34:17	ways 24:9 198:18	240:3,25 241:12	143:23 144:1,7,11
47:3 53:9 84:17	we've 39:20 95:18	242:7,17 245:4	148:23
84:18 88:20 90:11	99:15,15 211:2	247:15 248:8,11	workmanship
98:21 126:8		249:1,4,11 250:1,4	147:19 148:2

[works - zero]

Page 48

works 131:3 149:9 192:12	77:2 78:11 82:17 86:24 89:3 91:19	213:21
workstation 207:10,15	91:23 93:20	z
world 25:3,23 180:13	108:23 132:25	zenith 213:5
write 20:8 60:3 98:21 156:22	145:22 150:14	zero 60:17 169:4
157:9 217:23	151:15 152:10	206:12,14,16
228:17	153:18,21 155:12	
writes 184:7	158:14 161:22	
writing 214:6	162:3 163:10	
written 60:15	165:9 168:4	
63:11 116:9	170:19 172:3,20	
117:13 118:9	184:15 185:18,20	
120:9 136:14	187:1 192:18	
156:22 175:10	197:23 199:3	
187:21 190:23	211:11 217:18	
193:15 196:12	221:8 222:14	
204:5 214:5	223:4,18 224:1	
215:11 225:20	226:22 230:3	
231:7	231:21 236:24	
wrong 21:2 36:23	239:21 241:14	
97:21 118:25	242:17 245:4	
119:1,15 170:12	year 46:14 48:25	
172:13,19 185:21	150:2 178:11	
221:19 222:3,3	184:8,11	
wrote 83:20	years 24:6 48:16	
103:19 107:23	48:16,23,25 49:18	
114:3 140:11	49:24 55:24 57:24	
	94:3 114:16 130:7	
	134:3 148:21,25	
	149:1,2 150:4	
	180:5 214:6	
x	216:23,25 218:17	
x 3:1,6	yellow 188:5,6	
	yield 181:2	
y	young 2:22 5:3	
yeah 15:5 21:5	yup 24:17 26:11	
24:21 30:9 32:14	38:12 97:2 106:10	
35:1 36:16 39:21	106:17 114:1	
39:23 42:1 43:21	122:22 134:12	
45:7 47:23 48:10	145:15 151:6,8,12	
50:18 54:12 59:16	169:23 191:12	
74:8,12,20 76:16		

Federal Rules of Civil Procedure

Rule 30

(e) Review By the Witness; Changes.

(1) Review; Statement of Changes. On request by the deponent or a party before the deposition is completed, the deponent must be allowed 30 days after being notified by the officer that the transcript or recording is available in which:

(A) to review the transcript or recording; and

(B) if there are changes in form or substance, to sign a statement listing the changes and the reasons for making them.

(2) Changes Indicated in the Officer's Certificate. The officer must note in the certificate prescribed by Rule 30(f)(1) whether a review was requested and, if so, must attach any changes the deponent makes during the 30-day period.

DISCLAIMER: THE FOREGOING FEDERAL PROCEDURE RULES ARE PROVIDED FOR INFORMATIONAL PURPOSES ONLY.

THE ABOVE RULES ARE CURRENT AS OF APRIL 1, 2019. PLEASE REFER TO THE APPLICABLE FEDERAL RULES OF CIVIL PROCEDURE FOR UP-TO-DATE INFORMATION.

VERITEXT LEGAL SOLUTIONS
COMPANY CERTIFICATE AND DISCLOSURE STATEMENT

Veritext Legal Solutions represents that the foregoing transcript is a true, correct and complete transcript of the colloquies, questions and answers as submitted by the court reporter. Veritext Legal Solutions further represents that the attached exhibits, if any, are true, correct and complete documents as submitted by the court reporter and/or attorneys in relation to this deposition and that the documents were processed in accordance with our litigation support and production standards.

Veritext Legal Solutions is committed to maintaining the confidentiality of client and witness information, in accordance with the regulations promulgated under the Health Insurance Portability and Accountability Act (HIPAA), as amended with respect to protected health information and the Gramm-Leach-Bliley Act, as amended, with respect to Personally Identifiable Information (PII). Physical transcripts and exhibits are managed under strict facility and personnel access controls. Electronic files of documents are stored in encrypted form and are transmitted in an encrypted fashion to authenticated parties who are permitted to access the material. Our data is hosted in a Tier 4 SSAE 16 certified facility.

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